Innovation and Advanced Education

Annual Report
2013-2014

Alberta

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Innovation and Advanced Education
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Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Fiscal Management Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 19 ministries.

The annual report of the Government of Alberta contains ministers' accountability statements, the consolidated financial statements of the province and *Measuring Up* report, which compares actual performance results to desired results set out in the Government's strategic plan.

On December 6, 2013, the Government announced new ministry structures. The 2013-14 ministry annual reports and financial statements have been prepared based on the new ministry structure.

The Ministry of Innovation and Advanced Education was formerly known as the Ministry of Enterprise and Advanced Education. With the change, programs relating directly to workforce development moved to the Ministry of Jobs, Skills, Training and Labour.

This annual report of the Ministry of Innovation and Advanced Education contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Innovation and Advanced Education, regulated funds, provincial agencies, and Crown-controlled corporations for which the Minister is responsible; and**
- **other financial information as required by the *Financial Administration Act* and *Fiscal Management Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2014 was prepared under my direction in accordance with the *Fiscal Management Act* and the Government's accounting policies. All of the Government's policy decisions as at June 9, 2014 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

original signed by

Dave Hancock, QC
Premier of Alberta
Minister, Innovation and Advanced Education

Message from the Minister

Innovation, education, and enterprise are integral to our province's future and building an even better and stronger Alberta. During this past fiscal year, Innovation and Advanced Education played a key role in helping Albertans maximize their potential, in exploring new ways to grow innovation in the province, and in strengthening our province's capacity to compete in the global marketplace.

Creating shared outcomes for Alberta's advanced education system was one of many accomplishments at Innovation and Advanced Education this past fiscal year. To inspire a shared vision, we engaged post-secondary institutions, student leaders, and faculty associations to create common outcomes for Campus Alberta. These shared outcomes are helping to create a strong foundation for a more collaborative, sustainable, and efficient advanced education system.

We recognize that students need access to modern and quality education environments to make the best use of their time and energy while they are earning their credentials. With this in mind, we provided $15 million for expansion and upgrading and over $48 million for maintenance and renewal of Campus Alberta institutions to ensure students have improved access to up-to-date and supportive education environments and the services and resources they need to pursue their goals and dreams.

The Ministry also played a lead role in ensuring that students have access to flexible education opportunities and affordable advanced education. We continued to help learners follow their own educational paths by working with Education to support 26 new dual credit opportunities in areas such as computing science, health care aide, and natural resources among others.

Many low-income Albertans who want to advance their education are still finding finances to be a significant barrier. In response to their needs, Student Aid Alberta began offering a new grant to support low-income student loan borrowers in one-year undergraduate certificate programs. We are also supporting the development of open educational resources, as they present an opportunity to help reduce the costs students face for a post-secondary education.

Innovation has great potential to support sustainable prosperity in Alberta's economy and society, and we need to ensure that Alberta's innovation system continues to be responsive to the marketplace and Albertans' priorities. Toward that end, the Ministry is working with the research and innovation community to drive the evolution of Alberta's innovation ecosystem, create a framework for innovation, and enhance all avenues for technology commercialization.

Alberta continues to move forward in reaching its goal of becoming a global leader in innovation. We continued to form new commercialization and research collaborations with corporations and research organizations from around the world, including Johnson & Johnson and Siemens. Siemens, a technology giant, will be establishing its Canadian Energy Headquarters in Calgary and matching its research and development capabilities to Alberta's innovation system. Strategic collaborations like this will help to pave the way for increased investment in Alberta's research institutions, improved employment opportunities for Albertans, and increased market access for Alberta's small and medium-sized enterprises.

Our province continues to be the economic engine of Canada and the Ministry is working on initiatives to ensure that Alberta's economy is diversified, competitive, and supports entrepreneurship. We have consulted with economic development agencies across the province to develop a framework that will enable a more coordinated approach to economic development in Alberta. We also consulted with small business owners throughout Alberta, and are using feedback from these consultations to shape a small business strategy to support and grow small business. The Ministry also contributed to the economic recovery of communities and small businesses following the floods in southern Alberta by providing support through the Economic Disaster Recovery Project and the Hand-Up Plan.

Innovation and Advanced Education remains committed to helping Alberta realize a future where we are leaders in education, unleashing innovation, and supporting entrepreneurs so that we can compete in the global marketplace and ensure that Alberta is the best place to live, work, and raise a family.

I thank all Innovation and Advanced Education staff for your hard work and dedication in helping our Ministry to achieve its goals. I also want to thank our stakeholders, partners, and agencies for working with us over the past year to serve Albertans and find new ways to build a more prosperous Alberta.

original signed by

Dave Hancock, QC
Premier of Alberta
Minister, Innovation and Advanced Education

Management's Responsibility for Reporting

The Ministry of Innovation and Advanced Education includes:

- the Department of Innovation and Advanced Education,
- the Access to the Future Fund,
- the Alberta Enterprise Corporation,
- Alberta Innovates – Bio Solutions,
- Alberta Innovates – Energy and Environment Solutions,
- Alberta Innovates – Technology Futures, and
- Public Post-Secondary Institutions.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations, and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the Government's fiscal and strategic plan, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Innovation and Advanced Education. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. The performance measures are prepared in accordance with the following criteria:

- Reliability – information agrees with underlying data and the sources used to prepare it.
- Understandability and Comparability – current results are presented clearly in accordance with the stated methodology and are comparable with previous results.
- Completeness – performance measures and targets match those included in Budget 2013.

As Deputy Minister, in addition to program responsibilities, I am responsible for the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the province under Ministry administration;
- provide Executive Council, the President of Treasury Board, the Minister of Finance and the Minister of Innovation and Advanced Education information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry business plans and annual reports required under the *Fiscal Management Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executives of the individual entities within the Ministry.

original signed by

Steve MacDonald
Deputy Minister of Innovation and Advanced Education

June 9, 2014

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Ministry Overview

Innovation and Advanced Education provides strategic leadership in advancing learning, research, innovation, commercialization, and economic development. The Ministry aims to broaden Alberta's economic base and optimize Alberta's human potential to create an innovative and competitive province.

Innovation and Advanced Education leads the development of a resilient economy and a thriving society by:

- **Engaging learners in lifelong learning.** Innovation and Advanced Education funds the advanced learning system and facilitates collaboration across the system, working with public post-secondary institutions, private providers, community adult learning organizations, Aboriginal Colleges, and industry to meet the needs of learners, society, and the economy. The Ministry ensures access to a full range of affordable and quality advanced learning opportunities for Albertans by supporting flexible learner pathways, providing student financial aid, rewarding excellence through scholarships, and providing program quality assurance to support lifelong learning.
- **Fostering excellence in research, innovation, and commercialization.** Innovation and Advanced Education works collaboratively with partners and stakeholders to coordinate, fund, and promote research and innovation. The Ministry supports investment in emerging-technology companies, corporate partnerships that facilitate technology commercialization, and international agreements that promote research and development.
- **Ensuring that Alberta's economy is competitive and sustainable.** Innovation and Advanced Education develops provincial and regional economic development policies, initiatives, and tools to make Alberta an attractive place to invest and do business. In partnership with key stakeholders, the Ministry ensures economic stability by facilitating entrepreneurship and productivity growth, and by promoting value-added and supply chain development.

The Ministry collaborates with learning providers, advisory boards, councils and authorities, and innovation support agencies to fulfill its mandate.

Entities included in Ministry Financial Statements

Ministry	Department of Innovation and Advanced Education		
	Funds and Corporations		Access to the Future Fund
			Alberta Enterprise Corporation
			Alberta Innovates – Bio Solutions
			Alberta Innovates – Energy and Environment Solutions
			Alberta Innovates – Technology Futures
	Public Post-Secondary Institutions	*Comprehensive Academic and Research Institutions*	University of Alberta
			University of Calgary
			University of Lethbridge
			Athabasca University
		Baccalaureate and Applied Studies Institutions	Grant MacEwan University
			Mount Royal University
		Polytechnical Institutions	Northern Alberta Institute of Technology
			Southern Alberta Institute of Technology
		Comprehensive Community Institutions	Bow Valley College
			Grande Prairie Regional College
			Keyano College
			Lakeland College
			Lethbridge College
			Medicine Hat College
			NorQuest College
			Northern Lakes College
			Olds College
			Portage College
			Red Deer College
		Specialized Arts and Culture Institutions	Alberta College of Art + Design
			The Banff Centre

For more information on the Ministry of Innovation and Advanced Education, see **iae.alberta.ca**.
Websites for these entities are listed on page 98.

Advisory Boards, Councils and Authorities

Access Advisory Council
Alberta Apprenticeship and Industry Training Board
Alberta Council on Admissions and Transfer
Alberta Research and Innovation Authority
Campus Alberta Quality Council
Alberta Economic Development Authority

Websites for these entities are listed on page 98.

AUDITOR GENERAL *Alberta*

Review Engagement Report

To the Members of the Legislative Assembly

I have reviewed the performance measures identified as reviewed by the Office of the Auditor General in the Ministry of Innovation and Advanced Education's Annual Report 2013–2014. The reviewed performance measures are the responsibility of the ministry and are prepared based on the following criteria:

- Reliability – The information used in applying performance measure methodologies agrees with underlying source data for the current and prior years' results.
- Understandability – The performance measure methodologies and results are presented clearly.
- Comparability – The methodologies for performance measure preparation are applied consistently for the current and prior years' results.
- Completeness – The goals, performance measures and related targets match those included in the ministry's budget 2013.

My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the ministry.

A review does not constitute an audit and, consequently, I do not express an audit opinion on the performance measures. Further, my review was not designed to assess the relevance and sufficiency of the reviewed performance measures in demonstrating ministry progress towards the related goals.

Based on my review, nothing has come to my attention that causes me to believe that the performance measures identified as reviewed by the Office of the Auditor General in the ministry's annual report 2013-2014 are not, in all material respects, presented in accordance with the criteria of reliability, understandability, comparability and completeness as described above.

original signed by

Merwan N. Saher, FCA
Auditor General

May 24, 2014
Edmonton, Alberta

Performance measures reviewed by the Office of the Auditor General are noted with an asterisk (*) on the Performance Measures Summary Table for Goals 1, 2 and 3.

Discussion and Analysis of Results

Innovation and Advanced Education is committed to engaging Albertans in learning, innovation, and entrepreneurship to build a resilient economy and a thriving society.

In 2013-14, the Ministry worked towards engaging Albertans in lifelong learning by supporting an evolving advanced learning system focused on creating seamless learner pathways and providing accessible, quality education. Some examples of significant progress include funding capital projects, engaging advanced learning partners in creating common outcomes, offering a new grant to low-income student loan borrowers, and providing learners with flexible options such as dual credit courses. Alberta's post-secondary participation rate has remained stable over the past 16 years. Our province's post-secondary participation rate tends to be slightly lower than the Canadian average due in large part to our strong labour market which draws people into the workforce. The Ministry continues to work on initiatives to raise Alberta's post-secondary participation and we are seeing positive results, as we exceeded the Ministry's target in 2013.

In 2013-14, the Ministry worked to foster excellence in research, innovation, and commercialization in the province by attracting research talent and funding, enabling the evolution of the system, creating strategic partnerships, and encouraging new investment. Some examples of significant progress include engaging the research and innovation community on the innovation ecosystem's evolution, recruiting research chairs, and creating partnerships within the research and innovation sector. The Ministry continues to help Campus Alberta institutions become more competitive in attracting sponsored research revenue and collaborating with the venture capital industry and entrepreneurs. Our efforts are working and we achieved increases in both sponsored research revenue attracted by Alberta's comprehensive academic research institutions and venture capital in 2013.

In 2013-14, the Ministry worked to ensure that Alberta's economy is competitive and sustainable by engaging with the business community and fostering economic diversification. Some examples of significant progress include collaborating with economic development agencies on developing an economic development framework, engaging the small business community to shape a strategy to support and grow small businesses, launching an online information source with 26 economic indicators for the Alberta economy, completing projects that focus on growing the industrial sector, and providing support to businesses and communities. Alberta continues to work with industry to attract more value-added investments in the province's manufacturing and business service industries and to ensure that Alberta's economy is diversified, competitive, and sustainable.

Goal 1 Albertans are engaged in lifelong learning

	Performance Measures		Prior Years' Results				Current Actual	*Target*	Endnotes
*	**Percentage of Albertans aged 18-34 participating in post-secondary education** *helps indicate Alberta's social and economic well-being since post-secondary participation correlates to employment and earning power.*		17% 2009	18% 2010	17% 2011	17% 2012	18% 2013	*17%* Δ	A
	Satisfaction of recent post-secondary graduates with the overall quality of their educational experience *indicates the system's ability to help students achieve desired outcomes.*		91% 2010	n/a[1]	n/a[2]	92% 2012	n/a	—[3] O	B C
	Satisfaction of recent apprenticeship graduates with: *indicates the quality of the apprenticeship training system and its ability to meet learner needs in terms of relevant content, excellent instruction, cutting-edge equipment, and current trade practices.*	**on-the-job training**	n/a[4]	91% 2010-11	n/a	95% 2013	n/a	—[5] O	C D
		technical training	n/a[4]	93% 2010-11	n/a	96% 2013	n/a	—[5] O	

1 The Post-Secondary Graduate Outcomes Survey is conducted every other year.

2 The 2012 Post-Secondary Graduate Outcomes Survey was conducted on the usual biennial schedule, but that schedule could not accommodate the June 2012 publication of the 2011-12 Annual Report. New results became available in September 2012 for publication in the 2012-13 Annual Report.

3 No target was set for this measure when the business plan was created because no new data was expected in the biennial cycle of the Post-Secondary Graduate Outcomes Survey.

4 The Survey of Apprenticeship Graduates is conducted every other year.

5 No targets were set for this measure when the business plan was created because no new data was expected in the biennial cycle of the Survey of Apprenticeship Graduates.

Target exceeded	Δ
Target met	✓
Target not met	X
No target set	O

* Indicates Performance Measures that have been reviewed by the Office of the Auditor General as part of the Ministry's audit plan. Measures selected for review were chosen by Ministry management based on the following criteria established by Government:

- enduring measures that best represent the goal,
- measures for which new data is available, and
- measures that have well established methodology.

Lifelong learning is what keeps our province vibrant: people with skills and ideas making tangible contributions to society and the economy. The Ministry supports these contributions through the advanced learning system by funding its operations and infrastructure, enabling system evolution, and ensuring system accessibility and quality.

Providing Funding

To ensure quality advanced learning opportunities are available across Alberta, Innovation and Advanced Education provided nearly $2.2 billion in operating funding for post-secondary institutions in 2013-14. This funding ensures a solid foundation for Alberta's advanced learning providers. Additionally, the Ministry provided $15 million to support expansion and upgrading of post-secondary facilities and over $48 million for capital maintenance and renewal. This funding ensures students have access to modern and high-quality learning environments.

Capital Projects

In 2013-14, the Government committed funds over five years to support several capital expansion and upgrading projects aimed at modernizing and expanding capacity of Alberta's advanced learning infrastructure.

State-of-the-art classrooms, simulation labs, and a 135-seat lecture theatre will be part of the Centre for Applied Technologies, the largest capital project ever undertaken by the Northern Alberta Institute of Technology. The Centre will accommodate the equivalent of 5,000 full-time students, including 1,700 new seats. The Ministry is providing $200 million over the next five years toward this project to train students in high-demand areas that are essential to growing and diversifying Alberta's economy.

Renovations to the Schulich School of Engineering at the University of Calgary will include a highly flexible 240-seat lecture theatre with retractable seats, enabling reconfiguration into a display area for student projects and student events. The project, which includes two new floors of advanced research labs and a major modernization of the existing building, will allow the university to increase its engineering capacity by at least 400 undergraduate and graduate students. The Ministry is providing more than $142 million over four years towards this renovation, which will help Alberta's advanced learning system provide the skilled engineers needed to lead our industries and help Alberta become more competitive in the global marketplace.

Supporting System Evolution

The Ministry collaborates with Alberta's publicly funded post-secondary institutions to navigate challenges and opportunities in a changing environment. Strengthening the Government's partnerships with post-secondary institutions and focusing on achieving common objectives will lead to a more efficient and sustainable advanced learning system that meets the diverse needs of learners, the economy, and society.

Building a Common Vision

In an extensive collaboration effort, the Government engaged post-secondary institutions, student leaders, and faculty associations in 2013-14 to develop common outcomes and indicators for Campus Alberta. This shared articulation of what the advanced learning system intends to achieve will enhance our understanding of how this complex system is functioning and will inform strategic planning and decisions, including focused investments to improve outcomes. As well, the Ministry worked with post-secondary institutions to develop letters of expectation. These letters, while tailored to each institution, provide a road map towards common outcomes, particularly greater collaboration and flexible learner pathways. This shared vision is helping to create a strong foundation for a more responsive, sustainable, and efficient advanced learning system.

Seamless Learning Transitions

Helping learners pursue their own educational paths encourages Albertans to discover their talents and aspirations and raises Alberta's ability to meet the challenges and opportunities facing us as a province.

Dual Credit Strategy

The Ministry understands that transitioning from high school to post-secondary education is a partnership between the K-12 system, Campus Alberta, and business and industry. Accordingly, in 2013-14, Innovation and Advanced Education worked with Education to implement the Provincial Dual Credit Strategy. This strategy allows students to earn both high school and post-secondary credits for the same coursework, make progress towards workplace certification, or gain preferred placement (course exemption) in post-secondary programs. In 2013-14, 26 dual credit opportunities were approved for provincial funding, benefiting students with career interests ranging across such diverse fields as welding, health care, computing science, and natural resources. Some of these programs began in September 2013, while others will begin in fall 2014 or fall 2015.

Understanding Learner Mobility

The Ministry is enhancing learner pathways through funding and a Secretariat that supports the work of the Alberta Council on Admissions and Transfer (ACAT), an independent advisory council through which stakeholders work to increase learner pathways and facilitate student mobility and transferability of courses and programs. In 2013-14, ACAT collaborated with the Government to publish the first set of a series of new Student Mobility Reports. These new reports, to be published annually, will help advance understanding of student enrolment flows into, within, and out of Alberta's public post-secondary institutions, informing sound policy and planning.

Learning 2.0

Technological progress has enabled exciting new ways to communicate and share information, giving the advanced learning system opportunities to better engage and support learners.

Supporting Open Educational Resources

Open educational resources (OER) provide more accessible, flexible, and cost-effective learning opportunities for Albertans. These resources include open-source materials such as electronic textbooks, lesson plans, and multi-media resources, and are free of copyright royalties or licence fees. Innovation and Advanced Education has developed a comprehensive open educational resource initiative to support the development and use of such materials in the province. Finding ways to integrate these resources into post-secondary classrooms means students will have access – at any time via any device – to more current material at lower costs.

Notably, on March 13, 2014, the premiers of Alberta, British Columbia, and Saskatchewan signed a Memorandum of Understanding to facilitate coordinated development and use of open educational resources and opportunities to leverage funding. This agreement will allow all three provinces to leverage OER efforts across jurisdictions and maximize benefits for students.

Fostering Global Citizenship

We live in a world that is more globally connected than ever before. The Ministry recognizes the importance of fostering international awareness and connections among Alberta's students, researchers, and post-secondary institutions, and supports international study programs to this end.

In 2013-14, the Ministry funded the participation of over 800 Alberta students in international study abroad programs, double the number from the previous year. The Campus Alberta Grant For International Learning (CAGFIL) program supports innovative education abroad programs that create unique international opportunities for Alberta students and faculty to study and work internationally. In addition, the Ministry announced 100 scholarships for Albertan post-secondary students to study in China in 2014. These scholarships were given as part of Alberta's participation in a consultation between the Council of Ministers of Education, Canada (CMEC) and the People's Republic of China.

By finding efficiencies and cost-savings in existing programs, the Ministry was able to expand existing study and internship abroad programs. As well, the Ministry began implementing new learner-focused programs that include: new government internships for domestic students focusing on international and intergovernmental issues in education, initiatives to increase global awareness in Alberta's classrooms, and support for Alberta graduate students to start joint research with international partners in priority areas.

Ensuring Access

Innovation and Advanced Education is committed to helping Albertans gain the skills and knowledge they need to pursue their personal and professional goals.

Participation

The percentage of Albertans aged 18-34 participating in post-secondary education (Endnote A) has historically been slightly lower than the Canadian average (18% compared to 24% nationally in 2013), but this trend does not reflect the accessibility of learning opportunities in Alberta. Rather, this difference can be explained by two factors: Alberta's thriving economy means that many Albertans choose to work rather than pursue post-secondary studies; and these employment opportunities also draw a high number of inter-provincial migrants, many of whom already possess a post-secondary credential. Rising post-secondary enrolment rates (Endnote E) over the last nine years (138,709 full-load equivalents in 2004-05 to 159,634 in 2012-13) support the conclusion that participation and access are at least somewhat discrete issues in Alberta. In contrast to the participation rate, the proportion of Albertans aged 25-64 who have completed post-secondary education (the attainment rate) (Endnote F) has historically been comparable to the Canadian average (62% compared to 64% nationally in 2013).

Removing Financial Barriers

Student Aid Alberta

Student Aid Alberta provides grants, bursaries, and affordable loans to Alberta post-secondary students who need support to cover tuition and mandatory fees, books and supplies, and/or living costs while they are studying. In 2013-14, Student Aid Alberta provided over $384 million in Alberta student loans to nearly 58,000 students, which represents an increase of over 40% in student loan borrowers over the past four years (from 40,000 in 2009-10). This increase reflects changing economic conditions and program changes that reduced eligibility barriers. In 2013-14, Student Aid Alberta provided $53 million in Alberta grants and bursaries to student loan borrowers to give individuals incentive to access a post-secondary education and to reward completion. This amount more than doubles funds provided in 2011-12.

In August 2013, Student Aid Alberta began offering a new grant to low-income student loan borrowers in one-year undergraduate certificate programs. This provincial grant allows these students to have more equitable access to grant funding, regardless of program credential, and will help more low-income students achieve their educational goals.

Rewarding Excellence

Innovation and Advanced Education rewards excellence in learning through Alberta Scholarship Programs. These programs administer 60 unique scholarships rewarding the achievements of Alberta high school and post-secondary students. In 2013-14, over 37,000 Alberta learners received over $72 million in scholarships. These scholarships encourage Albertans to pursue learning opportunities and give learners an incentive to excel.

Included in these scholarships are rewards for excellence in apprenticeship: in 2013-14, $750,000 in scholarships was awarded to 740 learners. To encourage the participation of underrepresented learners, specific scholarships are designated to support youth, female, and Aboriginal apprentices. Seventeen Aboriginal apprentices and 39 female apprentices received scholarships. As well, 275 scholarships of one thousand dollars each were awarded to recognize the accomplishments of Alberta high school students involved in the Registered Apprenticeship program.

Engaging Underrepresented Learners

Engaging underrepresented learners in the advanced learning system encourages individuals to reach their educational goals, regardless of their life situation. Educational success can, in turn, expand career opportunities and improve living standards for graduates. The Ministry is committed to ensuring that all Albertans have equitable access to advanced learning opportunities.

In 2013-14, the Ministry provided funding to not-for-profit organizations and projects to support the engagement of women, youth, and Aboriginal people in apprenticeship and trade-related learning opportunities. Organizations and projects include Women Building Futures, Careers: The Next Generation, Skills Canada Alberta, and the Northeast Alberta Apprenticeship Initiative.

The Ministry also worked closely with the Alberta Apprenticeship and Industry Training Board and industry to support the participation of women and Aboriginal people in skilled trades. Currently, women make up 9% of registered apprentices in our province. As of December 31, 2013, there were 5,846 women registered in Alberta as apprentices, an increase of 9% from the previous year. While Aboriginal apprentices make up only about 5% of the total number of apprentices in Alberta, the number of registered Aboriginal apprentices has increased 50% since 2009: as of December 31, 2013, there were 3,292 registered Aboriginal apprentices compared to 2,190 in 2009.

Increasing Apprenticeship Opportunities

As Alberta's economy continues to grow, and as the current skilled trades workforce increasingly reaches retirement, it is important that the Ministry and industry proactively work to ensure that there are sufficient apprenticeship opportunities available to Albertans. The Alberta Apprenticeship and Industry Training Board

collaborates with the Ministry to increase the supply of skilled tradespeople in Alberta. Through the Industry Champions Initiative, the Alberta Apprenticeship and Industry Training Board encourages industry to be proactive in hiring and training apprentices, and to implement strategies to support and encourage apprentices to progress and complete their programs. The Ministry continuously monitors the demand for technical training in all trades and makes adjustments in the number of seats and location of training as needed. Since 2011-12, the number of technical training seats has increased by more than 10%.

Ensuring Quality

The Ministry and its partners continue to provide quality assurance in the advanced learning system through legislation, the Campus Alberta Quality Council, and the Apprenticeship and Industry Training Board. To assess graduate satisfaction with the quality of post-secondary education, the Ministry commissions two extensive surveys biennially: the Post-Secondary Graduate Outcomes Survey (GOS) (Endnote B), which captures responses from graduates two years after completing a post-secondary program; and the Survey of Apprenticeship Graduates (SAG) (Endnote D), which captures responses specifically from recent apprenticeship graduates.

Results from both the GOS and SAG have consistently shown a very high satisfaction of post-secondary graduates and apprenticeship graduates: for the last four survey cycles, 90% or more of GOS respondents indicated that they were satisfied or very satisfied with the quality of their educational experience, and 91% or more of SAG respondents indicated that they were satisfied or very satisfied with the on-the-job training and technical training they received. These results suggest that Alberta's advanced learning system continues to meet the needs of learners.

The Ministry encourages lifelong learning for Albertans by supporting a sustainable advanced learning system, enabling system evolution into the 21st century, ensuring access to education for all Albertans, and providing high quality learning experiences. As citizens have opportunities to fulfill their potential through advanced learning, they become the engine for Alberta's social and economic evolution.

Goal 2 Alberta demonstrates excellence in research, innovation and commercialization[1]

	Performance Measures		Prior Years' Results				Current Actual	*Target*	Endnotes
*	**Total sponsored research revenue attracted by Alberta's comprehensive academic research institutions** *indicates the research capability, capacity and competitiveness of Alberta's comprehensive academic and research institutions, and helps the Ministry understand the province's progress in research and innovation.*	$M	791.2 2008-09	818.5 2009-10	850.4 2010-11	759.6 2011-12	767.8 2012-13	*765.0* Δ	G
	Venture capital invested in Alberta[2] *helps indicate the capacity and capability available to support innovation and knowledge industry growth.*	$M	60.6 2009	58.9 2010	112.3 2011	86.3 2012	154.9 2013	*55.5*[3] O	H

1 Due to a restructuring of the Ministry, the 2013-14 annual report will not include Goal 2 from the 2013-16 business plan. Goals 2 and 3 in the 2013-14 annual report will correspond with Goals 3 and 4, respectively, in the 2013-16 business plan.

2 A restatement of venture capital data was required for all years due to the discontinuation of VCReporter. The new data source is Thomson ONE, a product provided by Thomson Reuters. For details, see Endnote H (pg. 94).

3 The published target for 2013 was expressed using VCReporter figures. Due to the discontinuation of VCReporter, the current results are from a different data source, Thomson ONE. Due to VCReporter and Thomson ONE using different methodologies, the 2013 target and 2013 results are incomparable. Therefore, the target cannot apply to the 2013 result. For details, see Endnote H (pg. 94).

Target exceeded	Δ
Target met	✓
Target not met	✗
No target set	O

* Indicates Performance Measures that have been reviewed by the Office of the Auditor General as part of the Ministry's audit plan. See page 9 for selection criteria.

Alberta's research and innovation ecosystem plays a vital role in the province's future. To support Alberta's growing knowledge economy, Innovation and Advanced Education is committed to fostering a robust research and innovation environment: one that attracts talent and investment, develops productive partnerships, and evolves in a coordinated and strategic way.

Enhancing Capacity

Attracting Research Talent

To thrive in a global knowledge economy, Alberta needs to attract exceptional research talent from around the world. In 2011, the Government created the Campus Alberta Innovation Program Chairs, a program designed to recruit research leaders to Alberta in the fields of energy and environment, food and nutrition, neuroscience/prions, and water. Since the competitive recruitment process began, 12 of 18 chairs have been filled, and recruitment is in progress for the remaining six. Notably, Alberta's comprehensive academic and research institutions have worked together to recruit in complementary research areas, leveraging existing institutional strengths to build a provincial network of expertise in these priority areas.

Attracting Research Funding

Sponsored research revenue attracted by Alberta's comprehensive academic and research institutions reflects the province's research capability and capacity. Success in acquiring sponsored research revenue is accomplished through highly competitive, excellence-driven research activities. The more sponsorship these institutions can draw, the better they are able to attract and retain world-class researchers and graduate students, strengthening the workforce supporting Alberta's innovation capacity.

Though it has fluctuated somewhat from year to year, sponsored research revenue attracted by the province's comprehensive academic and research institutions (Endnote G) has increased over the last 10 years, rising from $622 million in 2003-04 to just over $850 million in 2010-11. This increase suggests an overall improvement in research capability, capacity, and competitiveness in these institutions. Subsequently, in 2011-12, there was a 10% decrease stemming from the completion of provincial capital funding initiatives. From 2011-12 to 2012-13, sponsored research revenue increased by 1% as a result of a substantial increase in industry funding, despite downward pressure stemming from the flattening of provincial and federal funding.

Encouraging Venture Capital Investment

Venture capital investment helps to support an innovative and competitive economy. In 2013-14, the Ministry collaborated with Alberta Investment Management Corporation, Alberta Enterprise Corporation, and the Ministry of Treasury Board and Finance on an access to capital and mentorship initiative. This work included stakeholder engagement to explore policy and program options. Developing investment capacity in this way will bolster the success of our venture capital industry and the innovation it supports.

Venture capital investment (Endnote H) in Alberta increased dramatically in 2013, growing 79.4% from just over $86 million in 2012 to almost $155 million in 2013. A number of factors have contributed to this increase. For example, the Scientific Research and Experimental Development Tax Credit Program was enhanced in 2012, incenting early stage investment. As well, some sectors that have traditionally accounted for a modest proportion of Alberta's venture capital investment emerged as significant contributors. For example, the computer software industry reported a record high venture capital investment of just over $64 million in 2013, well above its historical range of $1 million to $11 million.

Strategic Connections

Creating Research and Innovation Partnerships

Alberta's research and innovation system is successfully collaborating with partners. This year saw the development of new relationships and the strengthening of existing partnerships with corporate and research organizations around the globe.

Siemens Canada

The Ministry strengthened its partnerships with the research and innovation sector by signing a Memorandum of Understanding with Siemens Canada. This partnership provides a framework for introducing Siemens' research and development capabilities to Alberta's innovation system and Alberta companies, with the goal of accelerating technology commercialization. Siemens is also establishing its Canadian Energy Headquarters in Calgary. This development will create new job opportunities for Albertans; increase access to corporate decision makers for technology-focused, small- to medium-sized enterprises in Alberta; and facilitate technology commercialization in Alberta's economy.

Johnson & Johnson

In partnership with Janssen Inc., part of the Janssen Pharmaceutical Companies of Johnson & Johnson, and the Alberta Diabetes Foundation, the Ministry contributed $200,000 to the $600,000 Johnson & Johnson Diabetes Research Fund to support novel research in diabetes, focusing on a high potential for commercialization. This competitive, three-year fund will help advance healthcare technologies in Alberta.

Promoting Alberta Internationally to Attract Investment

In addition to strengthening research and innovation partnerships within the province, the Ministry is working to create partnerships internationally. In 2013-14, the Ministry conducted missions to Germany, Switzerland, France, the United Kingdom, Australia, the United States, and China to sign research and development agreements in resource development, agriculture, life sciences, aerospace technologies, energy technologies, and industrial research. These missions pave the way for increased foreign investment in Alberta's research institutions, employment opportunities for Albertans, and market access and sales for small- and medium-sized enterprises in Alberta.

Evolving Alberta's Innovation Ecosystem

Strengthening Alberta's innovation capacity is critical to ensuring long-term economic competitiveness. The Ministry is engaging the research and innovation community to improve collaboration, responsiveness, and global connections. Significant stakeholder input began in 2013 through an Expert Panel that consulted with over 160 stakeholders and made recommendations about the evolution of Alberta's research and innovation ecosystem. This engagement continues as the Ministry meets with innovation leaders to share and discuss the report and policy framework. In spring 2014, the Government approved the establishment of the Alberta Innovation Council, which will advise the Premier and Cabinet on innovation policies, strategies, and initiatives. Members will come from the Government, Campus Alberta, innovation service providers, and industry.

Together, the Ministry and stakeholders will develop a shared understanding of the challenges faced by the system and the actions needed to address them. Such coordinated system evolution will enable more collaboration between academia and industry, supporting research that is aligned with Alberta's economic and social needs.

Fostering Social Innovation

The Ministry's efforts to transform the innovation ecosystem include thinking beyond new technologies: resolving complex social issues requires thinking outside traditional government approaches. In spring 2014, the Government of Alberta introduced the *Savings Management Act*, proposing to establish the Social Innovation Endowment. Social innovation is the process of translating new ideas into tangible social impact and the Social Innovation Endowment will help foster solution-oriented approaches to solving Alberta's complex social challenges. The endowment will be established with an immediate capitalization of $500 million, and an additional $500 million in 2015-16, complementing Alberta's existing innovation infrastructure. Annual disbursements will start in 2015-16.

Understanding Research and Innovation in Alberta

The Survey of Innovation and Business Strategy

Understanding the innovation landscape in Canada helps Government and industry develop informed strategies and policies to foster innovation. The Survey of Innovation and Business Strategy (SIBS) gathers information about innovation in business strategies and practices in Canada. Innovation and Advanced Education has partnered with Statistics Canada and other provinces (Ontario, Quebec, Manitoba, and the Maritimes) to improve and expand SIBS by making it more precise and rigorous. This means Alberta will be able to develop innovation performance metrics and compare them against Canadian benchmarks. The improved survey will provide the Ministry with data necessary for more informed innovation policy and program development.

Provincial Scientific Activities Survey

In 2012, Statistics Canada discontinued the Provincial Scientific Activities Survey, which collected data on the province's expenditures on research. This data is important for informed policy development by the Government and our partners in the research and innovation ecosystem. The Ministry has developed a replacement survey – the Government of Alberta Research Investments Survey – so that this information will continue to be available. In 2013-14, the Ministry administered the survey and is preparing the results for publication.

Alberta is competing in a context of increasing globalization and technological progress. Innovation and Advanced Education is helping to create conditions for Alberta to thrive in this evolving environment by attracting research talent and funding, enabling system evolution, creating strategic partnerships, encouraging new investment, and gathering strategic data.

Goal 3 Alberta's economy is competitive and sustainable[1]

	Performance Measures		Prior Years' Results				Current Actual	*Target*	Endnotes
*	**Manufacturing and Business Service Industry Gross Domestic Product (GDP)** *helps indicate economic growth and diversification.*	*$ billion* *% change*	66.0 -4.8% 2009	67.6 +2.4% 2010	71.6 +5.8% 2011	74.4 +3.9% 2012	76.4 +2.7% 2013	*76.6* *+4.0%* ✗	I
	Change in Manufacturing and Business Service Industry Labour Productivity *helps indicate economic growth and diversification.*	*3-year average annual growth rate* *dollars per hour worked*		+1.3% $52.10 2010	+0.5% $52.10 2011	+0.7% $52.40 2012	*Result not available*[2]	*+2.0%*	J

1 Due to a restructuring of the Ministry, the 2013-14 annual report will not include Goal 2 from the 2013-16 business plan. Goals 2 and 3 in the 2013-14 annual report will correspond with Goals 3 and 4, respectively, in the 2013-16 business plan.

2 Statistics Canada did not release new data in time for the June 2014 publication of this report. For details, see Endnote J (pg. 95).

Target exceeded	Δ
Target met	✓
Target not met	✗
No target set	○

* Indicates Performance Measures that have been reviewed by the Office of the Auditor General as part of the Ministry's audit plan. See page 9 for selection criteria.

Innovation and Advanced Education works to support vibrant and sustainable economic development provincially and regionally. This means leveraging Alberta's strengths for lasting prosperity. To achieve this goal, the Ministry engages with the business community, fosters economic diversification, and provides support to businesses and communities.

Engaging Alberta's Business Community

Enabling a Coordinated Approach to Economic Development

A significant number of organizations in Alberta share the common goal of developing our economy for sustained prosperity. The Ministry is collaborating with a team of economic development agencies across the province to begin developing an economic development framework. A framework will identify how economic agents in Alberta can work in a more coordinated way for common outcomes. The framework will focus on expanding market access; improving resource-based and resource-related industries; enabling firms with high growth potential to broaden Alberta's economic base; and inspiring entrepreneurs to innovate, commercialize, and expand businesses across the province.

Supporting Small Business

Small businesses are the lifeblood of Alberta's economy. They make up about 95% of all businesses in Alberta and are responsible for about 35% of all private sector employment. Supporting small businesses to grow and excel in global markets helps empower Alberta's entrepreneurs and supports the economic growth of the province. The Ministry is developing a strategy to help Alberta foster small business and entrepreneurs, beginning with a series of stakeholder consultations with small business owners throughout Alberta. The Ministry is using feedback from these consultations to shape the strategy.

Understanding Our Economy

Alberta Economic Dashboard

Alberta businesses need information about the provincial economy to make informed decisions in a competitive environment. This year, the Ministry released the Alberta Economic Dashboard, an online information source providing investors, businesses, and Albertans with 26 economic indicators for the Alberta economy. The information is available in open data format so that users can access and incorporate the data in their own websites. The Alberta Economic Dashboard provides up-to-date economic information in one accessible, intuitive website.

Capitalizing on Our Strengths

While natural resources continue to anchor Alberta's economy, future economic growth depends on diversification that complements and adds value to the province's resource base.

Attracting Petrochemical Investment

Broadening our economic base means finding new ways to maximize the value from Alberta's resources. In collaboration with Alberta Energy and Alberta's Industrial Heartland Association, the Ministry led petrochemical investment attraction missions to Germany, the United Arab Emirates, and the United States in 2013-14. In addition to promoting investment in natural gas and natural gas liquids projects, these missions explored the best ways to transform natural gas into petrochemicals. Through this transformation, roughly nine times the value can be added to the raw energy resource. By attracting investment into the petrochemical sector, the Government is working to add significant value to this abundant resource.

Focusing on the Industrial Sector

Alberta's industrial sectors are surrounded by industrial supply chains: transportation, manufacturing and construction, upstream energy services, intra-provincial pipeline networks, and downstream value-added energy developments. Value-added development can open new markets for our products and services and help to diversify Alberta's economy.

Unconventional Resource Industry Development

The Ministry is collaborating with industry to support the sustainable growth of the unconventional resources industry. In 2013-14, key projects included guidebooks for the industry and investment, industry surveys, industry seminars, and various summits and missions. These projects support industry to encourage innovation, mitigate competitive challenges, and improve economic performance.

Manufacturing for Oil and Gas Supply Chains

In 2013-14, the Ministry promoted growth in the industrial sector by delivering the Manufacturing for Oil and Gas Supply Chains Sector Summit. This unique event brought together leaders from industry, government, the innovation network, academia, industry associations, and economic development agencies to discuss opportunities for alignment and sector growth.

Heavy Industrial Construction Productivity

The Government is also fostering engagement across Alberta's heavy industrial construction supply chain to encourage innovation, implement best practices, and mitigate competitive challenges. Strengthening these partnerships will help support the sustainable growth of the industry. The department is working with industry leaders in this sector to improve productivity and cost competitiveness by promoting and adopting best practices in industrial construction and addressing further constraints to competitiveness. Initiatives underway to help achieve this include benchmarking projects, best practice development, and collaborative working groups.

Manufacturing and Business Service Industry Growth

Growth in the manufacturing and business service industries demonstrates strength in value-added sectors of Alberta's economy, which helps to keep Alberta's economy more stable during periods of economic uncertainty. Gross domestic product (GDP) and labour productivity are key indicators to track growth in these key value-added industries.

The GDP for manufacturing and business service industries in Alberta (Endnote I) has followed an upward trend since 2009, increasing by 2.7% between 2012 and 2013 – from just over $74 million to just over $76 million. Manufacturing and business service industry GDP is affected by many external factors, including the status of the United States and global economies; the level of energy, natural resource, and commodity prices; and Alberta's labour market. The Ministry is focused on developing strategies to help strengthen the manufacturing and business service industries. These strategies are helping to create a province-wide culture of innovation that is enhancing cooperation, collaboration, and convergence; enhancing capacity for technology commercialization; increasing the rate of technological advancement; and increasing business investment in research and development.

Focusing on Results

Over the last two years, the Government has been reviewing each of its programs and services to ensure they are effective, efficient, and relevant, and that they deliver the outcomes Albertans expect. In 2012-13, the Ministry led a review of economic development programs, and in 2013-14, the Ministry began to implement those recommendations. They include delivering a more aligned and accountable economic development effort by developing an economic development framework; using a performance management system that aligns Ministry, Government of Alberta, and program performance measures to provide incentive for beneficial behaviours across the system and effectively measure progress towards common outcomes; clarifying mandates of economic development systems and specific sector programs; expanding Alberta's international profile and access to markets; and promoting program improvements, redesign, or transition for programs that may have achieved their mandate.

Responding to the 2013 Alberta Flood

In June 2013, 30 communities across the province were devastated by unprecedented flooding. The Ministry contributed to the province's flood response by providing approximately $970,000 to support communities and small businesses.

Economic Disaster Recovery Project

The Ministry collaborated with other ministries and the Economic Developers Association of Alberta to deliver the Economic Disaster Recovery Project, which supports local and regional economies affected by the flood. This project provides strategic economic development support for business retention, expansion, and attraction, allowing communities to recover more quickly and be better economically prepared for future possible disasters.

Hand-Up Plan

The survival and success of small businesses helps to support the economic recovery of Alberta's communities. In response to the flood, the Hand-Up Plan provided immediate financial assistance for small business, agricultural producers, First Nations enterprises, self-employed contractors, and not-for-profit organizations severely affected in southern Alberta and the Regional Municipality of Wood Buffalo. The Government of Alberta partnered with financial institutions, such as the Agricultural Financial Services Corporation, to provide partially guaranteed low-interest loans and interest rebates to affected organizations. Innovation and Advanced Education provided strategic policy and program planning to support this initiative. The Hand-Up Plan provided a quick response to the disaster, ensuring a faster recovery for affected communities.

Initiatives that engage with the business community, foster economic diversification, and provide emergency support to businesses and communities demonstrate the Ministry's commitment to vibrant and sustainable economic development in the province. By taking a collaborative approach to economic development and by leveraging strengths, Alberta is well-positioned for long-term prosperity and success.

Financial Highlights

The consolidated Ministry Financial Statements include:

- the Department of Innovation and Advanced Education,
- the Access to the Future Fund,
- the Alberta Enterprise Corporation,
- Alberta Innovates – Bio Solutions,
- Alberta Innovates – Energy and Environment Solutions,
- Alberta Innovates – Technology Futures, and
- Alberta Public Post-Secondary Institutions.

Revenue

(in thousands)

	2014 Actual	2013 Actual (Restated)
Government Transfers		
Government of Alberta Grants	$ 368,708	$ 380,414
Federal Grants	310,252	268,227
Investment Income	197,116	117,712
Premiums, Fees and Licences	7,329	6,798
Tuition and Non-Credit Courses	1,087,280	1,036,985
Sales, Rentals and Services	679,380	644,715
Donations, Grants and Contributions	364,021	375,197
Other Revenue	13,232	5,056
	$ 3,027,318	$ 2,835,104

Revenue increased by $192 million from the prior year. This is due to an increase in grants from the Government of Canada, primarily at the University of Calgary for the Faculty of Medicine and UC Qatar, as well as increases at other Post-Secondary Institutions. Investment income increased by $79 million due to stronger market conditions. There was an increase in Tuition and Non-credit Courses of $50 million, attributed to increased international student enrolment, increased market modifier fees and increased student fees (not tuition fees). Finally, an increase in Sales, Rentals and Services of $35 million was attributed to cost sharing agreements offset by excess earnings agreements, new residences opening and insurance claims from flooding.

Expenses

(in thousands)

	2014 Actual	2013 Actual (Restated)
Public Post-Secondary Institutions	$ 5,134,586	$ 4,999,033
Alberta Innovates Corporations	151,767	144,408
Alberta Enterprise Corporation	1,115	2,055
Department		
Support for Adult Learning	69,334	76,594
Apprenticeship Delivery	35,673	39,523
Alberta Centennial Education Savings Plan	18,932	17,318
Innovation and Technology Commercialization	18,655	18,635
Student Aid	188,556	133,843
Enterprise	16,738	17,602
Ministry Support Services	38,077	35,548
Post-Secondary Infrastructure	658	—
2013 Alberta Flooding	393	—
	5,674,484	5,484,559
Net Operating Results	$(2,647,166)	$(2,649,455)

Expenses also increased by $190 million from the prior year. This is primarily due to increased salaries, wages and employee benefits ($106 million), grants to individuals and external organizations ($39 million), provision for future cost of student loans issued ($31 million) and other provisions (doubtful accounts, pensions and employee benefits) ($14 million).

Ministry of Innovation and Advanced Education
Consolidated Financial Statements

March 31, 2014 *Audited Information*

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Members of the Legislative Assembly

Report on the Consolidated Financial Statements

I have audited the accompanying consolidated financial statements of the Ministry of Innovation and Advanced Education, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Ministry of Innovation and Advanced Education as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by

Merwan N. Saher, FCA
Auditor General

June 9, 2014
Edmonton, Alberta

Consolidated Statement of Operations

for the year ended March 31, 2014 *(in thousands)*

	2014		2013
	Constructed Budget	Actual	Actual
	(Schedule 3)		(Restated Note 3)
Revenues (Note 2(b) and Schedule 1)			
Government Transfers			
Government of Alberta Grants	$ 397,858	$ 368,708	$ 380,414
Federal Grants	371,177	310,252	268,227
Investment Income	128,096	197,116	117,712
Premiums, Fees and Licences	7,160	7,329	6,798
Tuition and Non-Credit Courses	1,069,434	1,087,280	1,036,985
Sales, Rentals and Services	655,888	679,380	644,715
Donations, Grants and Contributions	261,522	364,021	375,197
Other Revenue	4,427	13,232	5,056
	2,895,562	3,027,318	2,835,104
Expenses – Directly Incurred (Note 2(b) and Schedules 2 and 4)			
Public Post-Secondary Institutions	5,119,433	5,134,586	4,999,033
Alberta Innovates Corporations	189,636	151,767	144,408
Alberta Enterprise Corporation	1,150	1,115	2,055
Department			
Support for Adult Learning	46,541	69,334	76,594
Apprenticeship Delivery	38,835	35,673	39,523
Alberta Centennial Education Savings Plan	11,000	18,932	17,318
Innovation and Technology Commercialization	18,035	18,655	18,635
Student Aid	200,854	188,556	133,843
Enterprise	16,325	16,738	17,602
Ministry Support Services	36,047	38,077	35,548
Post-Secondary Infrastructure	—	658	—
2013 Alberta Flooding	—	393	—
	5,677,856	5,674,484	5,484,559
Net Operating Results	$(2,782,294)	$(2,647,166)	$(2,649,455)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at March 31, 2014 *(in thousands)*

	2014	2013 (Restated Note 3)
Assets		
Cash and Cash Equivalents (Note 4)	$ 1,126,506	$ 1,139,406
Accounts Receivable (Note 5)	326,348	403,677
Portfolio Investments (Schedule 5)	3,994,542	3,585,780
Loans and Advances (Note 6)	1,122,630	861,170
Tangible Capital Assets (Note 7)	7,541,367	7,386,223
Inventory	27,628	27,826
Prepaid Expenses	65,112	48,366
	$ 14,204,133	$ 13,452,448
Liabilities		
Accounts Payable and Accrued Liabilities (Note 8)	$ 813,543	$ 697,739
Deferred Revenue (Schedule 6)	2,332,808	2,236,498
Long Term Debt (Note 9)	866,730	711,932
Employee Future Benefits (Note 10)	270,681	251,355
	4,283,762	3,897,524
Net Assets		
Net Assets at Beginning of Year (Note 3)	8,012,106	8,851,887
Adjustment to Net Assets (Note 17)	66,014	(1,125,909)
Net Operating Results	(2,647,166)	(2,649,455)
Net Financing Provided from General Revenues	2,813,198	2,935,583
Net Assets before Endowments	8,244,152	8,012,106
Post-Secondary Institution Endowments (Note 11)	1,676,219	1,542,818
Net Assets at End of Year	9,920,371	9,554,924
	$ 14,204,133	$ 13,452,448

Contractual Obligations and Contingent Liabilities (Notes 12 and 13)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended March 31, 2014 *(in thousands)*

	2014	2013 (Restated Note 3)
Operating Transactions		
Net Operating Results	$(2,647,166)	$(2,649,455)
Non-cash Items included in Net Operating Results		
Amortization	455,048	447,681
Expended Capital Recognized as Revenue	(74,698)	(56,004)
Write-down and Loss on Disposal of Tangible Capital Assets	25,219	19,235
Donation of Capital Assets	(39,648)	(11,214)
Valuation Adjustments		
Provision for Employee Future Benefits	19,326	17,441
Provision for Future Cost of Student Loans Issued	35,367	3,530
Student Loans Valuation Adjustments	(18,144)	(9,373)
Provision for Vacation Pay and Other Provisions	5,893	66
	(2,238,803)	(2,238,093)
Decrease in Accounts Receivable	77,329	53,449
Increase in Prepaid Expenses	(16,746)	(2,934)
Decrease in Inventory	198	4,435
Increase in Accounts Payable and Accrued Liabilities	111,016	24,865
Deferred Revenue		
Increase in Deferred Revenue	171,008	73,700
Consolidation Adjustments Relating to Post-Secondary Institutions	60,166	59,954
Cash Applied to Operating Transactions	(1,835,832)	(2,024,624)
Capital Transactions		
Acquisition of Tangible Capital Assets (Note 7)	(592,574)	(631,026)
Proceeds from Disposal of Tangible Capital Assets	1,554	1,656
Cash Applied to Capital Transactions	(591,020)	(629,370)
Investing Transactions		
Student Loan Disbursements	(376,965)	(336,418)
Student Loan Repayments	98,282	75,223
Purchases of Portfolio Investments	(2,301,923)	(681,630)
Sale of Portfolio Investments	1,893,161	491,120
Cash Applied to Investing Transactions	(687,445)	(451,705)
Financing Transactions		
Net Financing Provided from General Revenues	2,813,198	2,935,583
Increase in Endowment Funds (Note 11)	133,401	52,709
Debt Issues	207,088	43,866
Debt Retirement	(52,290)	(30,704)
Cash Provided by Financing Transactions	3,101,397	3,001,454
Decrease in Cash and Cash Equivalents	(12,900)	(104,245)
Cash and Cash Equivalents, Beginning of Year	1,139,406	1,243,651
Cash and Cash Equivalents, End of Year	$ 1,126,506	$ 1,139,406

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

March 31, 2014

Note 1 Authority and Purpose

The Minister of Innovation and Advanced Education has been designated as responsible for various Acts by the *Government Organization Act*, Chapter G-10, revised Statutes of Alberta 2000 and its regulations. Below are the organizations that form the Ministry of Innovation and Advanced Education and the authority under which each organization operates. Schedule 8 provides a detailed listing of entities included in the organizational groupings.

Organization	Authority
Department of Innovation and Advanced Education	*Government Organization Act*
Access to the Future Fund	*Access to the Future Act*
Alberta Enterprise Corporation	*Alberta Enterprise Corporation Act*
Alberta Innovates – Bio Solutions	*Alberta Research and Innovation Act*
Alberta Innovates – Energy and Environment Solutions	
Alberta Innovates – Technology Futures	
Public Post-Secondary Institutions	*Post-secondary Learning Act*

In support of Alberta's vision, Innovation and Advanced Education's purpose is to assist Alberta to be a learning and innovative society.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Ministry of Innovation and Advanced Education, for which the Minister of Innovation and Advanced Education is accountable. The accounts of the Department are fully consolidated with the entities listed in Schedule 8 on a line-by-line basis. Revenue and expense, capital, investing and financing transactions and related asset and liability accounts between the consolidated entities have been eliminated. Accounting policies have been adjusted to conform with those of the Ministry.

The year-end of the Access to the Future Fund, Alberta Enterprise Corporation, Alberta Innovates Corporations, University of Alberta, University of Calgary, University of Lethbridge, Athabasca University and the Banff Centre is March 31.

The year-end for colleges, technical institutes, MacEwan University and Mount Royal University is June 30. Transactions of these organizations that have occurred between the period July 1, 2013 to March 31, 2014, and are $1 million or greater that significantly affect the consolidated accounts, have been recorded.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Investment income earned from restricted sources is deferred and recognized when the stipulations imposed have been met. Gains and losses on investments are not recognized in the Consolidated Statement of Operations until realized.

Government Transfers

Transfers from Government of Alberta, federal, and other governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Ministry's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Ministry complies with its communicated use of the transfer.

All other government transfers, without terms for use of the transfer, are recorded as revenue when the Ministry is eligible to receive the funds.

Note 2 ***Summary of Significant Accounting Policies and Reporting Practices*** *(continued)*

Donations and Non-Government Grants

Donations and non-government grants are received from individuals, corporations, and private sector not-for-profit organizations. Donations and non-government grants may be unrestricted or externally restricted for operating or capital purposes. Unrestricted donations and non-government grants are recorded as revenue in the year received or in the year the funds are committed. Externally restricted donations, non-government grants, and realized gains and losses for the associated externally restricted investment income are recorded as deferred revenue if the term for their use, or the terms along with the Ministry's actions and communications as to the use, create a liability. These resources are recognized as the terms are met and, when applicable, the Ministry complies with its communicated use.

Grants and Donations of or for Land

The Ministry recognizes transfers and donations for the purchase of land as a liability when received, and as revenue when the Ministry purchases the land. The Ministry recognizes in-kind contributions of land as revenue at the fair value of the land. When the Ministry cannot determine the fair value, it records such in-kind contributions at a nominal value of $1.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents. In addition to program operating expenses such as salaries and supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- inventory consumed,
- pension costs which comprise the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to Universities Academic Pension Plan, student loans and vacation pay.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Incurred by Others

Services contributed by other entities in support of the Ministry's operations are not recognized and are allocated to programs to show the full cost in Schedule 4.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments. The fair value of long-term debt approximates its carrying value as interest rates approximate the market value. Fair values of loans and advances and liability for student loans issued are not reported as there is no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Ministry are limited to cash and financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Inventory is valued at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis.

Portfolio Investments are recorded at cost. Gains and losses on investments are recognized when an investment is sold or when there is a permanent impairment in the value of an investment.

Loans and Advances are recorded at cost net of the allowance for impaired loans, the allowance for loan subsidy and the allowance for repayment assistance.

Note 2 ***Summary of Significant Accounting Policies and Reporting Practices*** *(continued)*

Tangible capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Donated tangible capital assets are recorded at their fair value at the time of contribution. The threshold for capitalizing new systems development is $250,000 and the threshold for major enhancements is $100,000. The threshold for all other tangible capital assets is $5,000 and $1,000 as determined by the entities. All land is capitalized.

Amortization is only charged if the tangible capital asset is in use.

When physical assets (tangible capital assets) are gifted or sold for a nominal sum, the net book value of these physical assets less any nominal proceeds are recorded as grants in kind. Unrealized gains and losses on transfers to controlled entities are eliminated on consolidation.

Expenses for patents owned by the Ministry as a result of research activity are not capitalized due to the uncertain value of benefits that may accrue to the Ministry.

Expenses on the acquisition or development of other intangible assets including intellectual capital are not capitalized as currently there is no acceptable methodology for measuring the value of future benefits accruing to the Ministry.

Post-secondary institutions have collections consisting of historical artifacts and provincial, national and international works of art. The value of these collections is not recognized in the consolidated financial statements.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Payments under Reciprocal and Other Agreements

The Ministry entered into agreements with the Federal Government to provide services on their behalf.

Expenses incurred and revenue earned in the provision of services under these agreements are recorded in the records of the service providers and are not included in these consolidated financial statements. Amounts paid and recovered under agreements are disclosed in Note 14.

Net Assets/Net Liabilities

Net Assets/Net Liabilities represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the Consolidated Statement of Financial Position in the summary consolidated financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Ministry operates within the government reporting entity and does not finance all its expenditures by independently raising revenues. Accordingly, these consolidated financial statements do not report a net debt indicator.

Endowments

Donations and government transfers that must be maintained in perpetuity are recognized as direct increases in endowment net assets when received or receivable. Realized gains and losses attributable to portfolio investments that also must be maintained in perpetuity are also recognized as a direct increase in endowment net assets when received or receivable.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The areas with measurement uncertainty are:

- the allowance for impaired loans amounting to $98,488 (2013 - $75,567),
- the allowance for loan subsidy amounting to $41,207 (2013 - $35,230) and
- the allowance for repayment assistance amounting to $2,618 (2013 - $2,088).

Note 2 ***Summary of Significant Accounting Policies and Reporting Practices*** *(continued)*

The Ministry has made certain estimates in the following areas:

- Recovery and default rates in the determination of the allowance for impaired loans.
- Blended student lending rate; the annual average provincial borrowing rate; the average repayment period, default rate, and repayment assistance rate in the determination of the allowance for loan subsidy.
- Future loan amounts approved for repayment assistance and loan forgiveness rates in the determination of the allowance for repayment assistance.
- Methodology used in the determination of the amounts of expended restricted capital contributions.

With respect to the Universities Academic Pension Plan, the plan's actuary has made certain estimates and assumptions in the determination of the March 31, 2014 extrapolated results. Refer to Note 10 for these assumptions.

Changes in these estimates could materially impact the allowance for impaired loans, the allowance for loan subsidy, the allowance for repayment assistance and the unfunded liability for the Universities Academic Pension Plan.

Government Endowment Funds for Research and Scholarships

(in thousands)

The Alberta Heritage Science and Engineering Research Endowment Fund operates under the *Alberta Research and Innovation Act* for the purpose of supporting science and engineering research. The Alberta Heritage Scholarship Fund operates under the *Alberta Heritage Scholarship Act* for the purpose of investing the endowment funds to make income available for scholarships.

The Ministry of Treasury Board and Finance controls these endowments, however, the Ministry of Innovation and Advanced Education has an economic interest in the endowments as they assist in funding Ministry programs. Additional information on these endowments can be found in the financial statements for Treasury Board and Finance.

	Net Assets			
	2014		2013	
	Value at Cost	Fair Value	Value at Cost	Fair Value
			(Restated Note 3)	(Restated Note 3)
Alberta Heritage Science and Engineering Research Endowment Fund	$ 795,981	$ 912,173	$ 739,740	$ 826,309
Alberta Heritage Scholarship Fund	798,061	907,059	737,375	819,731
	$ 1,594,042	$ 1,819,232	$ 1,477,115	$ 1,646,040

(c) Future Accounting Changes

PS 3260 Liability for Contaminated Sites

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. Innovation and Advanced Education would recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. Management is currently assessing the impact of this change in accounting standard on the financial statements.

PS 3450 Financial Instruments

In June 2011, the Public Sector Accounting Board issued the accounting standard and in January 2014, the Public Sector Accounting Board extended the effective date to April 1, 2016 from April 1, 2015. Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statements Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

Note 3 Government Reorganization and Prior Period Restatement

(in thousands)

On June 4, 2013, responsibility for Alberta Innovates – Health Solutions was transferred to the Ministry of Health. On October 2, 2013, responsibility for Northern Alberta Development Council was transferred to the Ministry of Aboriginal Relations. On December 13, 2013, as a result of cabinet restructuring, responsibility for Workforce Strategies was transferred to the Ministry of Jobs, Skills, Training and Labour. The ministry was renamed as the Ministry of Innovation and Advanced Education. All changes were effective April 1, 2013.

Comparatives for 2013 have been restated as if the Ministry had always been assigned with its current responsibilities. Net assets on March 31, 2012 are made up as follows:

Net Assets as previously reported by the Ministry of Innovation and Advanced Education	$ 10,365,181
Transfer to the Ministry of Aboriginal Relations	220
Transfer to the Ministry of Jobs, Skills, Training & Labour	968
Transfer to the Ministry of Health	(24,373)
Reallocated to Endowments	(1,490,109)
Net Assets at March 31, 2012	$ 8,851,887

Note 4 Cash and Cash Equivalents

(in thousands)

Cash and Cash Equivalents include deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high quality, short-term securities with a maximum term to maturity of three years. As at March 31, 2014, securities held by the Fund have an average effective yield of 2014 - 1.2% (2013 - 1.2%) per annum. Due to the short-term nature of CCITF investments, the carrying value approximates fair value.

	2014	2013
		(Restated Note 3)
Cash (1)	$ 500,686	$ 337,360
Cash Equivalents (2)	625,820	802,046
	$ 1,126,506	$ 1,139,406

(1) Cash includes deposits in CCITF.

(2) Cash Equivalents include money market funds, short-term notes and Treasury bills.

Note 5 Accounts Receivable

(in thousands)

	2014			2013
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
				(Restated Note 3)
Accounts Receivable	$ 334,047	$ (7,699)	$ 326,348	$ 403,677

Accounts receivable are unsecured and non-interest bearing.

Note 6 Loans and Advances

(in thousands)

	2014	2013
Loans Receivable	$ 1,264,943	$ 974,055
Less:		
Allowance for Impaired Loans	(98,488)	(75,567)
Allowance for Loan Subsidy	(41,207)	(35,230)
Allowance for Repayment Assistance	(2,618)	(2,088)
	$ 1,122,630	$ 861,170

Under the Alberta Student Loan Program, loans are provided by the Ministry to qualifying students on terms prescribed by the Minister of Innovation and Advanced Education.

Loans become payable and interest is earned starting six months after students discontinue their studies or graduate. Loans are unsecured and are repayable to a maximum term of 114 months. The interest rates on student loans are a floating rate of prime or a fixed rate of prime plus 2%.

Loans are classified as impaired when:

- there is no longer reasonable assurance as to the timely collection of the full amount of principal or interest, or
- the borrower has failed to make payments for a period of 150 days, or
- interest is owing to the Province for a period of 180 days.

When loans are classified as impaired, interest ceases to accrue.

Loans receivable are stated at cost net of the allowance for impaired loans, the allowance for loan subsidy and the allowance for repayment assistance.

The allowance for impaired loans is a provision that estimates the amount of loans receivable that will be impaired. The key assumptions used to determine this provision are default and recovery rates.

The allowance for loan subsidy is a provision that reflects the future benefit provided to students. This benefit is a result of favourable loan terms where the Ministry does not receive interest payments over the term of the loans to fully cover the Ministry's cost of financing the loan portfolio. Changes in future year estimates are expensed and are amortized over the estimated life of the student repayment period. The key assumptions used to determine this provision are a blended student lending rate; the annual average provincial borrowing rate; the average repayment period, default rate assumptions, and Repayment Assistance Plan rate assumptions.

The allowance for repayment assistance is a provision that estimates the amount of loans receivable that will be forgiven by the Ministry through the repayment assistance program. The key assumptions used to determine the provision are future loan amounts approved for repayment assistance and loan forgiveness rates.

In 2013-14, changes to the assumptions for the allowance for loan subsidy were implemented to reflect changes to the Student Aid program as well as borrowing and repayment patterns. These changes affect the allowance and provision for loan subsidy, amortization of the loan subsidy allowance and the net loans receivable balance. There were no impacts to the allowances for repayment assistance or impaired loans. The changes were in the following areas:

- Blended student lending rate;
  - New assumption uses a 12 year blended average annual prime interest rate for 3 future years, the current fiscal year and 8 historical years. This is a change from using the annual average prime interest rate for the 3 future years.
  - These rates are susceptible to change due to changing interest rate forecasts and uncertainty involving future interest rates.
- Repayment Assistance Plan stage 2 and permanent disability write off;
  - New assumption is to include a government write off (loan forgiveness) rate in the loan subsidy calculation. The Repayment Assistance Plan was implemented in 2010 and now enough data exists to reasonably estimate the amount. No government write off amount was included in the loan subsidy allowance in prior fiscal years.
  - These rates are susceptible to change due to changing demand for the repayment assistance plan.

Note 6 ***Loans and Advances*** *(continued)* *(in thousands)*

- Government borrowing delay in loan disbursement year;
  - New assumption to prorate the government cost of borrowing in the year that a student loan is disbursed as the loan is not outstanding for the entire year. Therefore the government does not have to borrow for the entire year.
  - The government borrowing delay is susceptible to change due to changing loan disbursement patterns.

All of these assumptions are subject to change when there are changes to demand for programs and interest rates.

Note 7 Tangible Capital Assets

(in thousands)

	Land	Building	Land Improvement	Equipment (2)	Computer Hardware and Software	Other (3)	2014 Total	2013 Total (Restated Note 3)
Estimated Useful Life	Indefinite	3-50 years	10-40 years	3-40 years	3-15 years	3-40 years		
Historical Cost (1)								
Beginning of year (Restated)	$ 275,247	$ 8,754,521	$ 44,040	$ 1,983,443	$ 913,455	$ 696,121	$ 12,666,827	$ 12,158,391
Additions	4,570	385,123	2,043	96,243	52,100	52,495	592,574	631,026
Donations	640	23,224	—	14,436	121	1,227	39,648	11,214
Disposals, including write-downs	—	(22,225)	(18)	(36,103)	(23,285)	(10,536)	(92,167)	(133,699)
Adjustments (4)	320	11,673	1,755	(9,545)	1,229	(26,252)	(20,820)	(105)
	280,777	9,152,316	47,820	2,048,474	943,620	713,055	13,186,062	12,666,827
Accumulated Amortization								
Beginning of year (Restated)	—	2,762,775	13,583	1,226,080	788,066	490,100	5,280,604	4,945,837
Amortization expense	—	217,272	1,203	152,152	45,893	38,528	455,048	447,681
Effect of disposals including write-downs	—	(15,425)	(5)	(31,105)	(21,743)	(8,003)	(76,281)	(112,206)
Adjustments (4)	—	(7,107)	295	(4,728)	1,165	(4,302)	(14,676)	(708)
	—	2,957,515	15,076	1,342,399	813,381	516,323	5,644,695	5,280,604
Net Book Value at March 31, 2014	$ 280,777	$ 6,194,801	$ 32,744	$ 706,075	$ 130,239	$ 196,732	$ 7,541,367	
Net Book Value at March 31, 2013	$ 275,247	$ 5,991,746	$ 30,457	$ 757,363	$ 125,390	$ 206,020		$ 7,386,223

(1) Historical cost includes work-in-progress at March 31, 2014 totalling $581,496 (2013 (restated) - $598,473) comprised of Building and Site Improvements – $503,326 (2013 (restated) - $537,362), Equipment – $54,663 (2013 (restated) - 16,756), and Computer Hardware and Software – $22,330 (2013 (restated) - $44,105) and Other – $1,177 (2013 (restated) - $250).

(2) Equipment includes vehicles, heavy equipment, office equipment and furniture, other equipment.

(3) Other includes leasehold improvements, library materials and asset retirement obligations.

(4) Adjustments relates to post-secondary institutions for accounting policy alignments and reclassifications between capital asset categories.

Note 8 Accounts Payable and Accrued Liabilities

(in thousands)

	2014	2013 (Restated Note 3)
Accounts Payable	$ 34,125	$ 21,049
Accrued Liabilities	779,418	676,690
	$ 813,543	$ 697,739

Note 9 Long Term Debt

(in thousands)

	Maturity	Average Interest Rate	Cost 2014 (2)	Cost 2013 (2)
Debentures (1)	Up to December 2047	4.53%	$ 858,880	$ 688,491
Bank Loan	June 2018	4.23%	1,660	331
Mortgages	March 2016	5.13%	226	2,246
Other (3)			215	13,577
			860,981	704,645
Liabilities under Capital Leases (4)			5,749	7,287
			$ 866,730	$ 711,932

(1) Debentures are payable to Alberta Capital Finance Authority.

(2) Cost approximates fair value.

(3) Primarily includes asset retirement obligations.

(4) The calculation of the liabilities under capital leases are as follows:

	2014	2013
Liabilities, beginning of the year	$ 7,287	$ 5,517
Additions to liabilities during the year	2,747	6,474
Principal payments	(4,285)	(4,704)
Liabilities, end of year	$ 5,749	$ 7,287

Principal repayments in each of the next five years and thereafter are as follows:

2014-15	$ 48,477
2015-16	48,345
2016-17	47,918
2017-18	47,299
2018-19	30,586
Thereafter	644,105
	$ 866,730

Note 10 Employee Future Benefits

(in thousands)

	2014	2013 (Restated Note 3)
Pension Liability		
Universities Academic Pension Plan	$ 223,597	$ 198,831
Supplementary Pension Plans	47,084	52,524
	$ 270,681	$ 251,355

Universities Academic Pension Plan

The Universities Academic Pension Plan (UAPP) is a multi-employer defined benefit pension plan primarily comprised of academic staff members and other eligible employees of the Universities of Alberta, Calgary, Lethbridge, and Athabasca and Banff Centre (employers). The Universities Academic Pension Plan Board (the Board) is the trustee and administrator of the UAPP. The Board operates under the authority of the *Employment Pension Plans Act*.

An actuarial valuation of the UAPP was carried out as at December 31, 2012 and was extrapolated to March 31, 2014 using the projected unit cost method prorated on benefits. The actuarial valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, wage and salary increases and employee turnover and mortality. The significant actuarial assumptions used to measure the accrued benefit obligation are as follows:

	2014	2013
Discount Rate	6.60%	6.20%
Expected Rate of Return on Plan Asset	6.60%	6.20%
Salary Escalation Rate (1)	3.50%	3.50%
Real Wage Growth	1.25%	1.25%
Inflation Rate	2.25%	2.25%
Estimated Average Remaining Service Life (years)	8.6	10.2

(1) Excludes merit and promotion rates.

The 2013 UAPP Annual Report identifies an unfunded liability at December 31, 2013 in the amount of $982,238 (2012 (restated) - $1,044,492). An actuarial extrapolation of this amount to March 31, 2014, adjusted for public sector reporting standards, estimates the unfunded liability at $1,056,921 (2013 - $1,149,175) and unamortized actuarial losses totalling $140,542 (2013 - $230,707). The following table provides further breakdown of how the liability has been allocated amongst the participants:

	Alberta Treasury Board and Finance	Employees	Employers	March 31, 2014 Extrapolated Results	March 31, 2013 Extrapolated Results
Pre '92	$ 310,693	$ 267,192	$ 267,192	$ 845,077	$ 766,644
Post '91	—	105,922	105,922	211,844	382,531
Total Unfunded Liability	$ 310,693	$ 373,114	$ 373,114	$ 1,056,921	$ 1,149,175

The unfunded liability for service prior to January 1, 1992 is financed by additional contributions of 1.25% (2012 - 1.25%) of salaries by Alberta Treasury Board and Finance and the balance of the required contributions, 2.87% (2013 - 2.34%) of salaries, is equally split between employees and employers in order to eliminate the unfunded deficiency by December 31, 2043. Employees and employers are responsible for fully funding service after 1991 which consists of special payments of 5.79% (2013 - 5.54%) of salaries until December 31, 2021. 1.71% (2013 - 1.46%) of salaries for 2022 and 2023, 0.70% (2013 - 0.45%) of salaries for 2024 and 2025, and 0.25% (2013 - 0.0%) of salaries for 2026 and 2027, all shared equally between employees and employers

The total contributions for the year (which includes the current year's service) were $220,625 (2013 - $213,091) of which the contributions made by employees were $104,363 (2013 - $101,092) and contributions made by Alberta Treasury Board and Finance were $11,388 (2013 - $10,366).

Additional information on UAPP can be found in the Annual Report of UAPP.

Note 10 ***Employee Future Benefits*** *(continued)* *(in thousands)*

The expense and financial position of the UAPP is as follows:

	2014	2013
Pension Liability		
Accrued Benefit Obligation		
Balance at the beginning of the year	$ 4,152,734	$ 3,829,138
Current Service Cost	155,904	138,301
Interest Cost	260,769	251,553
Benefits Paid	(205,390)	(194,803)
Actuarial Loss	108,397	128,545
Balance at the end of the year	4,472,414	4,152,734
Pension Fund Assets	(3,415,493)	(3,003,559)
Total Unfunded Liability	$ 1,056,921	$ 1,149,175
Ministry's Portion of the Total Unfunded Liability	$ 373,114	$ 410,732
Unamortized Actuarial Net Loss	(149,517)	(211,901)
Total UAPP Pension Liability	$ 223,597	$ 198,831

The expense recorded in these financial statements is $129,639 (2013 - $121,117) and includes the following components:

	2014	2013
Pension Expense		
Current Period Benefit Cost	$ 77,952	$ 69,151
Amortization of Actuarial Gains/Losses	24,639	23,522
Pension Expense	102,591	92,673
Interest Cost on the Average Accrued Benefit Obligation	110,363	105,456
Expected Return on Average Pension Plan Assets	(83,315)	(77,012)
Pension Interest Expense	27,048	28,444
Total UAPP Pension Expense	$ 129,639	$ 121,117

Ministry Pension Plans

The Ministry participates in the multi-employer pension plans: Management Employees Pension Plan, Local Authorities Pension Plan and Public Service Pension Plan. The Ministry also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $139,443 for the year ended March 31, 2014 (2013 (restated) - $124,711).

At December 31, 2013, the Management Employees Pension Plan reported a surplus of $50,457 (2012 - deficiency of $303,423), the Local Authorities Pension Plan reported a deficiency of $4,861,516 (2012 - deficiency of $4,977,303) and the Public Service Pension Plan reported a deficiency of $1,254,678 (2012 - deficiency of $1,645,141). At December 31, 2013, the Supplementary Retirement Plan for Public Service Managers had a deficiency of $12,384 (2012 - deficiency of $51,870).

Certain consolidated entities provide defined supplementary executive retirement plans for certain management staff, and other benefit plans for all or specific groups of staff, depending on the plans. The cost of these benefits are actuarially determined on an annual basis using the projected benefit method pro-rated on services, the government borrowing rate and management's best estimate of expected costs and the period of benefit coverage. At March 31, 2014, these plans have net accrued liability of $47,084 (2013 (restated) - $52,524). This liability is included in employee future benefits. The expense of these supplementary retirement plans is $7,697 (2013 (restated) - $7,576).

The Ministry also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2014, the Bargaining Unit Plan reported an actuarial surplus of $75,200 (2013 - surplus of $51,717) and the Management, Opted Out and Excluded Plan reported an actuarial surplus of $24,055 (2013 - surplus of $18,327). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 11 Endowment Funds

(in thousands)

Endowments consist of externally restricted donations received by the post-secondary institutions and internal allocations by the post-secondary institutions' Boards of Governors, the principal of which is required to be maintained intact in perpetuity. Donors have placed restrictions on their contributions to the endowment funds of post-secondary institutions. The principal restriction is that the original contribution not be spent except as expressly allowed under the *Post-secondary Learning Act* for endowments made to post-secondary institutions. Other potential restrictions are that any investment income of the endowment fund that is required to offset the impact of inflation should also not be spent.

	2014	2013
Beginning Balance	$ 1,542,818	$ 1,490,109
Contributions	46,798	53,513
Capitalization of Investment Earnings	84,445	1,458
Net Transfers from Deferred Contributions	964	4,235
Net Transfers from/(to) Unrestricted Net Assets	1,194	(6,497)
	$ 1,676,219	$ 1,542,818

Note 12 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the Ministry to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2014	2013 (Restated Note 3)
Obligations under Operating Leases, Contracts and Programs	$ 1,001,680	$ 818,242
Loans and Advances Approved (1)	368	11,135
	$ 1,002,048	$ 829,377

(1) Loans and Advances Approved are comprised of uncashed student loans.

Estimated payment requirements for each of the next five years and thereafter are as follows:

	2014		
	Obligations under Operating Leases, Contracts and Programs	Loans and Advances Approved	Total
2014-15	$ 617,943	$ 368	$ 618,311
2015-16	166,817	—	166,817
2016-17	83,195	—	83,195
2017-18	46,229	—	46,229
2018-19	18,755	—	18,755
Thereafter	68,741	—	68,741
	$ 1,001,680	$ 368	$ 1,002,048

Note 13 Contingent Liabilities

(in thousands)

At March 31, 2014, the Ministry of Innovation and Advanced Education was named as a defendant in 11 (2013 - 6) specific legal actions. The total claimed in 5 (2013 - 3) actions approximate $369 (2013 - $15). For the other claims, no specified amounts have yet been claimed; the amount of these claims will be determined at trial. The resulting loss, if any, from these claims cannot be determined.

The public post secondary institutions also entered into employment contracts that included a commitment to provide or guarantee housing loans in the amount of $782 (2013 - $882).

Note 14 Payments under Agreement

(in thousands)

The Ministry has entered into agreements to deliver programs that are fully funded by the Government of Canada. Costs under these agreements are incurred by the Ministry under authority of section 25 of the *Financial Administration Act*. Accounts Receivable includes $15,889 (2013 - $64,436).

Government of Canada:

Net Amounts paid and (payable) under agreements on behalf of the Government of Canada are as follows:

	2014	2013 (Restated Note 3)
Canadian Millennium Scholarship Foundation		
Canadian Millennium Scholarships	$ (18)	$ (205)
Government of Canada		
Canada Study Grants	(28)	(128)
Canada Access Grants	—	(10)
Canada Student Grants	72,415	73,614
	$ 72,369	$ 73,271

P/T Secretariat

On December 13, 2013, responsibility for administrating the P/T Secretariat on behalf of the P/T Forum of Immigration Ministers Secretariat has been transferred to the Department of Jobs, Skills, Training and Labour as a result of the re-organization of government departments established by Order in Council 409/2013 under the *Government Organization Act*.

Note 15 Funds Held on Behalf of Others

(in thousands)

The Ministry holds funds on behalf of others over which they have no power of appropriation. Because the Ministry has no equity in the funds and holds them for the purposes of various other organizations, they are not included in the Ministry's financial statements. Total net assets of the funds held on behalf of others by the Ministry at March 31, 2014 were $27,456 (2013 - $26,532).

Note 16 Derivative Contracts and Related Credit Risk

(in thousands)

The Ministry uses derivative contracts to improve investment return and to manage interest and currency risks. Derivative contracts have credit risks that could expose the Ministry to potential losses. Credit risk for derivative contracts is the risk that the counterparty will not pay its obligation when it comes due.

The following is a summary of the fair values and maturity schedules of the Ministry's derivative contracts by type, segregated contracts in a favourable and unfavourable position. Derivatives in a favourable position have positive fair values which represent amounts owed to the Ministry by counterparties.

	Maturity			Contract	Fair Values	
	Under 1 Year	1 to 3 Years	Over 3 Years	Notional Amount	Favourable Position	Unfavourable Position
Forward Foreign Exchange Contracts	100%	—	—	$ 280,218	$ 8,384	$ 18,666
Interest Rate Swap Contracts	—	—	100%	627	—	48
Total 2014				$ 280,845	$ 8,384	$ 18,714

Note 17 Adjustment to Net Assets

(in thousands)

The adjustment is a result of:

- Completion Incentive Grants that should have been recognized in the prior year. The result is a decrease in net assets of $14,406 (2013 - $0).
- Post-secondary institutions restating prior year amounts that were not restated in the ministry financial statements. This resulted in an increase to net assets of $20,254 (2013 - decrease of $187,076).
- The effect of elimination entries on net assets due to timing differences of revenue recognition by the Post-secondary Institutions. This resulted in an increase to net assets of $60,166 (2013 - increase of $59,954).
- A change in accounting policy $0 (2013 - decrease of $998,787).

Note 18 Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

Note 19 Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Deputy Minister and the Senior Financial Officer.

Schedules to the Consolidated Financial Statements

for the year ended March 31, 2014

Schedule 1 *Consolidated Revenues*

(in thousands)

	2014	2013 (Restated Note 3)
Government Transfers		
Government of Alberta Grants		
Alberta Heritage Scholarship Fund	$ 37,361	$ 37,570
Access to the Future Fund	51,809	51,245
Alberta Heritage Science and Engineering Research Endowment Fund	42,500	42,500
Alberta Innovates Corporations	607	3,835
Post-Secondary Institutions	236,431	245,264
	368,708	380,414
Federal Grants		
Public Post-Secondary Institutions	302,360	259,519
Other	7,892	8,708
	310,252	268,227
Investment Income		
Interest on Student Loans Issued	14,216	11,072
Public Post-Secondary Institutions	180,548	106,084
Other	2,352	556
	197,116	117,712
Premiums, Fees and Licences		
Apprenticeship Services	7,175	6,642
Licence Fees	146	140
Other	8	16
	7,329	6,798
Tuition and Non-Credit Courses	1,087,280	1,036,985
Sales, Rentals and Services	679,380	644,715
Donations, Grants and Contributions	364,021	375,197
Other Revenue		
Refunds of Expenditure	10,934	3,947
Miscellaneous	2,298	1,109
	13,232	5,056
	$ 3,027,318	$ 2,835,104

Schedule 2 Consolidated Expenses Directly Incurred Detailed by Object

(in thousands)

	2014	2013 (Restated Note 3)
Salaries, Wages and Employee Benefits	$ 3,343,992	$ 3,237,088
Supplies and Services	1,294,116	1,307,860
Grants	470,335	430,439
Amortization of Tangible Capital Assets (Note 7)	455,048	447,681
Interest on Long-Term Debt	34,615	34,638
Provisions for Future Cost of Student Loans Issued	35,367	3,530
Other Expenses (1)	41,011	23,323
	$ 5,674,484	$ 5,484,559

(1) Other Expenses include pension provisions, valuation of vacation liability and provision for doubtful accounts.

Schedule 3 Consolidated Budget Reconciliation

(in thousands)

	2014				
	2013-14 Government Estimates		Budget of Entities Excluded from Fiscal Plan (2)	Consolidation Adjustments	Constructed Budget
	Operational (1)	Capital (1)			
Revenues					
Government Transfers					
Government of Alberta Grants	$ 130,757	$ —	$ 2,813,656	$(2,546,555)	$ 397,858
Federal Grants	7,200	—	363,977	—	371,177
Investment Income	12,653	—	115,443	—	128,096
Premiums, Fees and Licences	9,460	—	—	(2,300)	7,160
Tuition and Non-Credit Courses	—	—	1,069,434	—	1,069,434
Sales, Rentals and Services	—	—	655,888	—	655,888
Donations, Grants and Contributions	—	—	261,522	—	261,522
Other Revenue	5,869	—	583	(2,025)	4,427
Total Revenues	165,939	—	5,280,503	(2,550,880)	2,895,562
Expenses					
Public Post-Secondary Institutions	—	—	5,119,433	—	5,119,433
Alberta Innovates Corporations	—	—	234,636	(45,000)	189,636
Alberta Enterprise Corporation	1,150	—	—	—	1,150
Department					
Support for Adult Learning	2,147,959	—	—	(2,101,418)	46,541
Apprenticeship Delivery	41,135	—	—	(2,300)	38,835
Alberta Centennial Education Savings Plan	11,000	—	—	—	11,000
Innovation and Technology Commercialization	184,253	—	—	(166,218)	18,035
Student Aid	200,854	—	—	—	200,854
Enterprise	16,325	—	—	—	16,325
Ministry Support Services	38,072	—	—	(2,025)	36,047
Post-Secondary Infrastructure	—	63,700	—	(63,700)	—
Total Expenses	2,640,748	63,700	5,354,069	(2,380,661)	5,677,856
Net Operating Results	$(2,474,809)	$ (63,700)	$ (73,566)	$ (170,219)	$(2,782,294)

(1) Ministry's estimate as per the 2013-14 Government Estimates.

(2) Budgets of SUCH Sector Entities and Alberta Innovates Corporations are not included in the Fiscal Plan but have been approved by their respective Boards of Directors.

Schedule 4 Consolidated Allocated Costs

(in thousands)

	2014					2013
		Expenses – Incurred by Others				(Restated Note 3)
	Expenses (1)	Accommodation Costs (2)	Legal Services (3)	Other Services (4)	Total Expenses	Total Expenses
Program						
Public Post-Secondary Institutions	$ 5,134,586	$ —	$ —	$ —	$ 5,134,586	$ 4,999,033
Alberta Innovates Corporations	151,767	20,288	—	—	172,055	161,569
Alberta Enterprise Corporation	1,115	—	—	—	1,115	2,055
Department						
Support for Adult Learning	69,334	1,165	91	—	70,590	77,502
Apprenticeship Delivery	35,673	2,961	110	—	38,744	41,811
Alberta Centennial Education Savings Plan	18,932	—	—	—	18,932	17,318
Innovation and Technology Commercialization	18,655	749	185	—	19,589	19,463
Student Aid	188,556	1,451	41	—	190,048	135,017
Enterprise	16,738	844	27	—	17,609	18,226
Ministry Support Services	38,077	1,618	348	4,043	44,086	42,257
Post-Secondary Infrastructure	658	—	—	—	658	—
2013 Alberta Flooding	393	—	—	—	393	—
	$ 5,674,484	$ 29,076	$ 802	$ 4,043	$ 5,708,405	$ 5,514,251

(1) Expenses – Directly Incurred as per Consolidated Statement of Operations.

(2) Costs are as shown for Accommodation on Schedule 7 and allocated to participating entities and by proportion of full-time equivalent staff.

(3) Costs are as shown for Legal Services on Schedule 7 and allocated by estimated costs incurred by each program.

(4) Other Services costs, as shown on Schedule 7, include Shared Services, Air Transportation Services / Executive Vehicle, Internal Audit and GOA Learning Centre, and are allocated only to Ministry Support Services as the services relate to ministry support functions.

Schedule 5 Consolidated Portfolio Investments

(in thousands)

	2014		2013	
	Value at Cost	Fair Value	Value at Cost	Fair Value
Interest-Bearing Securities				
Deposits and Short-term Securities	$ 1,208,198	$ 1,206,573	$ 780,127	$ 780,397
Bonds and Mortgages	796,357	806,653	1,174,523	1,203,412
Floating Rate Notes	82,301	158,254	88,054	141,170
	2,086,856	2,171,480	2,042,704	2,124,979
Equities				
Canadian Equities	968,306	1,113,186	655,779	769,091
Foreign Equities	811,035	1,025,313	766,830	907,491
Pooled Hedged Funds	65,313	64,516	61,974	62,213
	1,844,654	2,203,015	1,484,583	1,738,795
Inflation Sensitive and Alternative Investments				
Real Estate Funds	53,434	66,100	52,586	57,015
Other Investments	9,598	9,575	5,907	5,407
	63,032	75,675	58,493	62,422
	$ 3,994,542	$ 4,450,170	$ 3,585,780	$ 3,926,196

Schedule 6 Consolidated Deferred Revenue

(in thousands)

	2014	2013 (Restated Note 3)
Unearned Revenue (1)	$ 147,121	$ 144,884
Restricted Contributions (2)	841,489	792,937
Restricted Capital Contributions (3)	59,525	46,546
Expended Restricted Capital Contributions (4)	1,284,673	1,252,131
	$ 2,332,808	$ 2,236,498

(1) Unearned Revenue

	2014				2013
	Government of Alberta	Government of Canada	Non-Government	Total	Total
Balance, Beginning of Year	$ 3	$ 5	$ 144,876	$ 144,884	$ 145,021
Prior Period Adjustment	2,185	80	(7,624)	(5,359)	(8,475)
Received/Receivable during Year	2,024	1,174	766,425	769,623	771,109
Realized Investment Income	—	—	23	23	—
Less Amounts Recognized as Revenue	(3,684)	(855)	(757,511)	(762,050)	(762,771)
Balance, End of Year	$ 528	$ 404	$ 146,189	$ 147,121	$ 144,884

(2) Restricted Contributions

	2014				2013
	Government of Alberta	Government of Canada	Non-Government	Total	Total
Balance, Beginning of Year	$ 146,032	$ 305,648	$ 341,257	$ 792,937	$ 803,121
Prior Period Adjustment	3,362	(737)	(3,367)	(742)	(15,054)
Received/Receivable during Year	259,631	261,721	384,885	906,237	786,959
Investment Earnings Received	7	6	37,630	37,643	30,809
Less:					
Amounts Transferred to Grant/Donation Revenue	(217,850)	(229,209)	(344,337)	(791,396)	(694,853)
Investment Earnings Transferred to Investment Income	—	—	(24,440)	(24,440)	(30,692)
Transfers:					
To Endowments	—	—	(964)	(964)	(4,235)
To Restricted Capital Contributions	(15)	(134)	(4,687)	(4,836)	(993)
To Expended Restricted Capital Contributions	(31,998)	(19,027)	(19,548)	(70,573)	(80,783)
To Others	(71)	—	(2,306)	(2,377)	(1,342)
Balance, End of Year	$ 159,098	$ 318,268	$ 364,123	$ 841,489	$ 792,937

(3) Restricted Capital Contributions

	2014				2013
	Government of Alberta	Government of Canada	Non-Government	Total	Total
Balance, Beginning of Year	$ 22,617	$ 8,878	$ 15,051	$ 46,546	$ 88,030
Prior Period Adjustment	(10,635)	(2,588)	44,248	31,025	(13,974)
Received/Receivable during Year	10,106	16,707	47,530	74,343	60,369
Investment Earnings Received	141	—	2,162	2,303	2,042
Less:					
Amounts Transferred to Grant/Donation Revenue	(27)	(50)	(5,245)	(5,322)	(2,089)
Investment Earnings Transferred to Investment Income	(3)	—	—	(3)	(234)
Transfers:					
From Restricted Contributions	15	134	4,687	4,836	993
To Expended Restricted Capital Contributions	(7,597)	(17,682)	(68,924)	(94,203)	(88,591)
Balance, End of Year	$ 14,617	$ 5,399	$ 39,509	$ 59,525	$ 46,546

Schedule 6 **Consolidated Deferred Revenue** *(continued)* *(in thousands)*

(4) Expended Restricted Capital Contributions

	2014				2013
	Government of Alberta	Government of Canada	Non-Government	Total	Total
Balance, Beginning of Year	$ 185,415	$ 486,968	$ 579,749	$ 1,252,131	$ 998,787
Prior Period Adjustment	12,747	(29,763)	(44,974)	(61,990)	137,851
Less:					
Amounts Recognized as Revenue (Amortization of Expended Restricted Capital Contributions)	(12,244)	(22,518)	(39,936)	(74,698)	(56,004)
Transfers:					
From Restricted Contributions	31,998	19,027	19,548	70,573	80,783
From Restricted Capital Contributions	7,597	17,682	68,924	94,203	88,590
(To)/From Others	—	(355)	4,808	4,453	2,124
Balance, End of Year	$ 225,513	$ 471,041	$ 588,119	$ 1,284,673	$ 1,252,131

Schedule 7 Consolidated Related Party Transactions

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Ministry had the following transactions with related parties which are recorded on the Consolidated Statement of Operations and the Consolidated Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2014	2013 (Restated Note 3)
Revenues		
Grants	$ 292,607	$ 338,443
Other	202,318	137,802
	$ 494,925	$ 476,245
Expenses – Directly Incurred		
Grants	$ 21,482	$ 2,542
Other Services	71,815	84,853
	$ 93,297	$ 87,395
Receivables from	$ 35,236	$ 17,375
Payables to	$ 11,863	$ 32,967
Deferred Revenue	$ 399,756	$ 343,859
Debt to Related Parties	$ 861,083	$ 681,686
Contractual Obligations	$ 7,223	$ 6,833

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements. Expenses incurred by others are disclosed in Schedule 4.

	2014	2013 (Restated Note 3)
Expenses – Incurred by Others		
Accommodation	$ 29,076	$ 23,619
Legal	802	743
Air Transportation Services / Executive Vehicle	96	133
Internal Audit	48	280
Shared Services	3,862	5,331
GOA Learning Centre	37	47
	$ 33,921	$ 30,153

Schedule 8 *Entities Included in the Consolidated Financial Statements*

Department of Innovation and Advanced Education

Funds and Agencies

- Access to the Future Fund
- Alberta Enterprise Corporation

Public Post-Secondary Institutions

Comprehensive Academic and Research Institutions

- Athabasca University
- University of Alberta
- University of Calgary
- University of Lethbridge

Baccalaureate and Applied Studies Institutions

- MacEwan University
- Mount Royal University

Polytechnical Institutions

- Northern Alberta Institute of Technology
- Southern Alberta Institute of Technology

Comprehensive Community Institutions

- Bow Valley College
- Grande Prairie Regional College
- Keyano College
- Lakeland College
- Lethbridge College
- Medicine Hat College
- NorQuest College
- Northern Lakes College
- Olds College
- Portage College
- Red Deer College

Specialized Arts and Culture Institutions

- Alberta College of Art + Design
- The Banff Centre

Alberta Innovates Corporations

- Alberta Innovates – Bio Solutions
- Alberta Innovates – Energy and Environment Solutions
- Alberta Innovates – Technology Futures

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Department of Innovation and Advanced Education
Financial Statements

March 31, 2014 *Audited Information*

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AUDITOR GENERAL
Alberta

Independent Auditor's Report

To the Minister of Innovation and Advanced Education

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Innovation and Advanced Education, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Innovation and Advanced Education as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by

Merwan N. Saher, FCA
Auditor General

June 9, 2014
Edmonton, Alberta

Statement of Operations

for the year ended March 31, 2014 *(in thousands)*

	2014		2013
	Constructed Budget (Schedule 4)	Actual	Actual (Restated Note 3)
Revenues (Schedule 1)			
Government Transfers			
Government of Alberta Grants	$ 78,743	$ 79,862	$ 80,070
Federal Grants	7,200	7,856	8,708
Investment Income	11,100	14,216	11,073
Premiums, Fees and Licences	9,460	9,754	8,988
Other Revenue	5,869	12,986	5,679
	112,372	124,674	114,518
Expenses – Directly Incurred (Note 2(b), 2(d) and Schedule 8)			
Program (Schedules 3 and 5)			
Ministry Support Services	38,072	38,323	35,740
Support for Adult Learning	2,147,959	2,196,268	2,293,302
Apprenticeship Delivery	41,135	39,134	42,183
Student Aid	200,854	188,556	133,843
Innovation and Technology Commercialization (Note 2d)	185,403	185,976	190,939
Enterprise (Note 2d)	16,325	16,868	17,833
2013 Alberta Flooding Non-Disaster Recovery Expenses (Note 2d)	—	393	—
Post-Secondary Infrastructure	63,700	63,578	75,917
Alberta Centennial Education Savings Plan	11,000	18,932	17,318
	2,704,448	2,748,028	2,807,075
Net Operating Results	$(2,592,076)	$(2,623,354)	$(2,692,557)

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

as at March 31, 2014 *(in thousands)*

	2014	2013 (Restated Note 3)
Assets		
Cash	$ 5,889	$ 15,737
Accounts Receivable (Note 4)	27,320	71,085
Loans Receivable (Note 5)	1,122,630	861,170
Tangible Capital Assets (Note 6)	27,151	26,163
	$ 1,182,990	$ 974,155
Liabilities		
Accounts Payable and Accrued Liabilities (Note 7)	$ 62,113	$ 28,879
Deferred Revenue (Note 8)	851	689
	62,964	29,568
Net Assets		
Net Assets at Beginning of Year	944,587	701,561
Adjustment to Net Assets (Note 12)	(14,406)	—
Net Operating Results	(2,623,354)	(2,692,557)
Net Financing Provided from General Revenues	2,813,199	2,935,583
Net Assets at End of Year	1,120,026	944,587
	$ 1,182,990	$ 974,155

Contractual Obligations (Note 9)

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

for the year ended March 31, 2014 *(in thousands)*

	2014	2013 (Restated Note 3)
Operating Transactions		
Net Operating Results	$(2,623,354)	$(2,692,557)
Non-Cash Items included in Net Operating Results		
Amortization	5,272	5,016
Provision for Future Cost of Student Loans Issued	35,367	3,530
Student Loan Valuation Adjustments	(18,144)	(9,373)
Provision for Vacation Pay	554	680
Deferred Revenue Recognized as Revenue	(689)	(507)
Write-off of Tangible Capital Assets	—	59
	(2,600,994)	(2,693,152)
Decrease in Accounts Receivable	43,765	37,553
Increase in Accounts Payable and Accrued Liabilities	18,274	1,761
Deferred Revenue Received/Receivable	851	689
Cash Applied to Operating Transactions	(2,538,104)	(2,653,149)
Capital Transactions		
Acquisition of Tangible Capital Assets	(6,260)	(6,558)
Cash Applied to Capital Transactions	(6,260)	(6,558)
Investing Transactions		
Loans Receivable		
Student Loan Disbursements	(376,965)	(336,418)
Student Loan Repayments	98,282	75,223
Cash Applied to Investing Transactions	(278,683)	(261,195)
Financing Transactions		
Net Financing Provided from General Revenues	2,813,199	2,935,583
Cash Provided by Financing Transactions	2,813,199	2,935,583
(Decrease) Increase in Cash	(9,848)	14,681
Cash at Beginning of Year	15,737	1,056
Cash at End of Year	$ 5,889	$ 15,737

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements

March 31, 2014

Note 1 Authority and Purpose

The Department of Innovation and Advanced Education operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000.

In support of Alberta's vision, Innovation and Advanced Education's purpose is to build a resilient economy and a thriving society by engaging Albertans in learning, innovation, and entrepreneurship.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Department of Innovation and Advanced Education, which is part of the Ministry of Innovation and Advanced Education and for which the Minister of Innovation and Advanced Education is accountable. Other entities accountable to the Minister are the Access to the Future Fund, Alberta Enterprise Corporation, Alberta Innovates – Bio Solutions, Alberta Innovates – Energy & Environment Solutions, Alberta Innovates – Technology Futures, and Public Post-Secondary Institutions. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the President of Treasury Board and Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net Financing provided from (for) General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the stipulations along with the department's actions and communications as to the use of the transfers, create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the department is eligible to receive the funds.

Capital Contributions

Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed capital assets.

Credit or Recovery

Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual Credit or Recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's credit or recovery initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

Note 2 ***Summary of Significant Accounting Policies and Reporting Practices*** *(continued)*

In addition to program operating expenses such as salaries and supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets,
- pension costs, which are the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments represent the change in management"s estimate of future payments arising from obligations relating to student loans and employee vacation pay.

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Incurred by Others

Services contributed by other entities in support of the department operations are not recognized and are disclosed in Schedule 7 and allocated to programs in Schedule 8.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the department are limited to cash and financial claims, such as advances to and receivables from other organizations, employees, students and other individuals.

Loans receivable are recorded at cost net of the allowance for impaired loans, the allowance for loan subsidy and the allowance for repayment assistance.

Assets acquired by right are not included.

Tangible capital assets of the department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $250,000 and the threshold for major systems enhancements is $100,000. The threshold for all other tangible capital assets is $5,000.

Amortization is only charged if the tangible capital asset is in use.

Liabilities

Liabilities are recorded to the extent that they represent the present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets

Net assets represent the difference between the carrying value of assets held by the department and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty

(in thousands)

Measurement uncertainty exists when there is variance between the recognized or disclosed amount and another reasonably possible amount.

The areas subject to measurement uncertainty are:

- the allowance for impaired loans amounting to $98,488 (2013 - $75,567),
- the allowance for loan subsidy amounting to $41,207 (2013 - $35,230), and
- the allowance for repayment assistance amounting to $2,618 (2013 - $2,088).

The department has made certain estimates in the following areas:

- Recovery and default rates in the determination of the allowance for impaired loans.
- Blended student lending rate; the annual average provincial borrowing rate; the average repayment period, default rate, and repayment assistance rate in the determination of the allowance for loan subsidy.
- Future loan amounts approved for repayment assistance and loan forgiveness rates in the determination of the allowance for repayment assistance.

Changes in these estimates could materially impact the allowance for impaired loans, the allowance for loan subsidy and the allowance for repayment assistance.

Note 2 ***Summary of Significant Accounting Policies and Reporting Practices*** *(continued)*

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Receivable, Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values because of the short-term nature of these instruments.

The fair values of Loans Receivable are not reported as there is no organized financial market for all of the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair values with sufficient reliability.

Government Endowment Funds for Research and Scholarships

(in thousands)

The Alberta Heritage Science and Engineering Research Endowment Fund operates under the *Alberta Research and Innovation Act* for the purpose of supporting science and engineering research. The Alberta Heritage Scholarship Fund operates under the *Alberta Heritage Scholarship Act* for the purpose of investing the endowment funds to make income available for scholarships.

The Ministry of Treasury Board and Finance controls these endowments. However, the Department of Innovation and Advanced Education has an economic interest in the endowments as they assist in funding department programs. Additional information on these endowments can be found in the financial statements for Alberta Treasury Board and Finance.

	Net Assets			
	2014		2013 (Restated Note 3)	
	Value at Cost	Fair Value	Value at Cost	Fair Value
Alberta Heritage Science and Engineering Research Endowment Fund	$ 795,981	$ 912,173	$ 739,740	$ 826,309
Alberta Heritage Scholarship Fund	798,061	907,059	737,375	819,731
	$ 1,594,042	$ 1,819,232	$ 1,477,115	$ 1,646,040

(c) Change in Accounting Policy

Effective April 1, 2013 the department changed its accounting treatment for the French Minority Language Education and French Second Language Instruction Program. In past years, the Department recorded funding for this program under a payment based on agreement model. Given the on-going nature of the funding, and advice and approval from Alberta Treasury Board and Finance, this treatment has been changed to a Dedicated Revenue initiative.

(d) 2013 Alberta Flooding

(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provide financial assistance to impacted individuals, small businesses, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the Department of Municipal Affairs through the authority of the Disaster Recovery Regulation.

The Department of Municipal Affairs recognizes revenues from the federal government on an accrual basis based on recoveries through the Disaster Financial Assistance Arrangement (DFAA) with the Government of Canada. The Government of Canada approved the DFAA through its Order in Council on July 3, 2013. This arrangement has no impact on the Department of Innovation and Advanced Education's financial statements.

The Department of Municipal Affairs recognizes DRP expenses on an accrual basis when the Government of Alberta issued its Order in Council on June 25, 2013. These expenses are net of recoveries from insurance and other third parties.

Also, the Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

Expenses – 2013 Alberta Flooding	2014	2013
Non-Disaster Recovery Program Expenses (1)	$ 977	$ —

(1) 2013 Alberta Flooding expenses total $977 (2013-$0). $393 for Economic Renewal Initiatives and Small Business Rebuilding, $14 for Innovation and Technology Commercialization and $570 for Enterprise programs.

Note 2 *Summary of Significant Accounting Policies and Reporting Practices (continued)*

(e) Future Accounting Changes

PS 3260 Liability for Contaminated Sites

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The department would recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. Management does not expect the implementation of this standard to have a significant impact on the financial statements.

PS 3450 Financial Instruments

In June 2011, the Public Sector Accounting Board issued this accounting standard and subsequently extended the effective date to April 1, 2016 from April 1, 2015.

The department has not yet adopted this standard and has the option of adopting it in fiscal year 2016-17 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

Note 3 *Prior Period Restatement* *(in thousands)*

French Minority Language Education and French Second Language Instruction Program

In 2013-14, the federal government contributions under the French Minority Language Education and French Second Language Instruction and the related payments to the post-secondary institutions that deliver this program are accounted for as a credit or recovery. In prior years, these payments were accounted for as a Payments under Agreement model. As a result of this change in accounting policy, which is being applied retroactively, revenues increased by $4,300, which were offset by a corresponding increase in expenses.

Government Reorganization

On June 4, 2013, responsibility for Alberta Innovates – Health Solutions was transferred to the Ministry of Health. On October 2, 2013, responsibility for the Northern Alberta Development Council was transferred to the Ministry of Aboriginal Relations. On December 13, 2013, as a result of cabinet restructuring, responsibility for Workforce Strategies was transferred to the Ministry of Jobs, Skills, Training and Labour. The department was renamed as the Department of Innovation and Advanced Education. All changes were effective April 1, 2013.

Prior Period Restatement

Comparatives for 2013 have been restated as if the department had always been assigned with its current responsibilities.

Net assets on March 31, 2012 are made up as follows:

Net assets as previously reported by the Department of Innovation and Advanced Education	$ 700,373
Transfer to the Ministry of Aboriginal Relations	220
Transfer to Ministry of Jobs, Skills, Training and Labour	968
Net assets at March 31, 2012	$ 701,561

Note 4 *Accounts Receivable* *(in thousands)*

	2014	2013 (Restated Note 3)
Government of Canada (1)	$ 23,230	$ 67,477
Accrued Interest Receivable on Loans	2,636	1,742
Other	1,454	1,866
	$ 27,320	$ 71,085

Accounts receivable are unsecured and non-interest bearing.

(1) $15,889 (2013 - $64,436) is represented by Payments Under Agreement (Note 10).

Note 5 Loans Receivable

(in thousands)

	2014	2013
Loans Receivable	$ 1,264,943	$ 974,055
Less:		
Allowance for Impaired Loans	(98,488)	(75,567)
Allowance for Loan Subsidy	(41,207)	(35,230)
Allowance for Repayment Assistance	(2,618)	(2,088)
	$ 1,122,630	$ 861,170

Under the Alberta Student Aid Program, loans are provided by the department to qualifying students on terms prescribed by the Minister of Innovation and Advanced Education.

Loans become payable and interest is earned starting six months after students discontinue their studies or graduate. Loans are unsecured and are repayable to a maximum term of 114 months. The interest rates on student loans are a floating rate of prime or a fixed rate of prime plus 2%.

Loans are classified as impaired when:

- there is no longer reasonable assurance as to the timely collection of the full amount of principal or interest, or
- the borrower has failed to make payments for a period of 150 days, or
- interest is owing to the Province for a period of 180 days.

When loans are classified as impaired, interest ceases to accrue.

Loans receivable are stated at cost net of the allowance for impaired loans, the allowance for loan subsidy and the allowance for repayment assistance.

The allowance for impaired loans is a provision that estimates the amount of loans receivable that will be impaired. The key assumptions used to determine this provision are default and recovery rates.

The allowance for loan subsidy is a provision that reflects the future benefit provided to students. This benefit is a result of favorable loan terms where the department does not receive interest payments over the term of the loans to fully cover the department's cost of financing the loan portfolio. Changes in future year estimates are expensed and amortized over the estimated life of the student loan period. The key assumptions used to determine this provision are a blended student lending rate; the annual average provincial borrowing rate; the average repayment period, default rate assumptions, and Repayment Assistance Plan rate assumptions.

The allowance for repayment assistance is a provision that estimates the amount of loans receivable that will be forgiven by the department through the repayment assistance program. The key assumptions used to determine this provision are the future loan amounts approved for repayment assistance and loan forgiveness rates.

In 2013-14 adjustments to the assumptions for the allowance for loan subsidy were implemented to reflect changes to the Student Aid program as well as borrowing and repayment patterns. These changes affect the allowance and provision for loan subsidy, amortization of the loan subsidy allowance and the net loans receivable balance. There were no impacts to the allowances for repayment assistance or impaired loans. The changes were in the following areas:

- Blended student lending rate;
  - New assumption uses a 12 year blended average annual prime interest rate for 3 future years, the current fiscal year and 8 historical years. This is a change from using the annual average prime interest rate for the 3 future years.
  - These rates are susceptible to change due to changing interest rate forecasts and uncertainty involving future interest rates.
- Repayment Assistance Plan stage 2 and permanent disability write off;
  - New assumption is to include a government write off (loan forgiveness) rate in the loan subsidy calculation. The Repayment Assistance Plan was implemented in 2010 and now enough data exists to reasonably estimate the amount. No government write off amount was included in the loan subsidy allowance in prior fiscal years.
  - These rates are susceptible to change due to changing demand for the repayment assistance plan.

Note 5 ***Loans Receivable*** *(continued)* *(in thousands)*

- Government borrowing delay in loan disbursement year;
  - New assumption to prorate the government cost of borrowing in the year that a student loan is disbursed as the loan is not outstanding for the entire year. Therefore the government does not have to borrow for the entire year.
  - The government borrowing delay is susceptible to change due to changing loan disbursement patterns.

All of these assumptions are subject to change when there are changes to demand for programs and interest rates.

Note 6 Tangible Capital Assets

(in thousands)

	Equipment (1)	Computer Hardware and Software	Total
Estimated Useful Life	5-10 years	3-10 years	
Historical Cost (2)			
Beginning of year	$ 259	$ 55,369	$ 55,628
Additions	—	6,260	6,260
Disposals, including Write-downs	(80)	(2,561)	(2,641)
	179	59,068	59,247
Accumulated Amortization			
Beginning of year	162	29,303	29,465
Amortization expense	24	5,248	5,272
Effect of Disposals	(80)	(2,561)	(2,641)
	106	31,990	32,096
Net Book Value at March 31, 2014	$ 73	$ 27,078	$ 27,151
Net Book Value at March 31, 2013	$ 97	$ 26,066	$ 26,163

(1) Equipment includes office equipment.

(2) Historical cost includes work-in-progress at March 31, 2014 totaling $10,725 (2013 - $9,346) comprised of computer software development projects.

Note 7 Accounts Payable and Accrued Liabilities

(in thousands)

	2014	2013 (Restated Note 3)
Accounts Payable	$ 4,661	$ 4,832
Accrued Liabilities:		
Vacation	7,415	6,871
Grants	45,805	14,070
Other	4,232	2,797
Advances from Government of Canada	—	309
	$ 62,113	$ 28,879

Note 8 Deferred Revenue

(in thousands)

	2014	2013
Balance, Beginning of Year	$ 689	$ 507
Received/Receivable during Year	851	689
Less Amounts Recognized as Revenue	(689)	(507)
Balance, End of Year	$ 851	$ 689

Note 9 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2014	2013 (Restated Note 3)(1)
Obligations under Contracts and Programs	$ 83,552	$ 84,840
Uncashed Student Loans	368	11,135
Capital Grants	848,900	—
	$ 932,820	$ 95,975

(1) Figures have been restated to include contracts not reported in 2013. This increased the total by 12,000.

Estimated payment requirements for each of the next five years are as follows:

	Contracts and Programs	Uncashed Student Loans	Capital Grants	Total
2014-15	$ 59,010	$ 368	$ 167,225	$ 226,603
2015-16	19,235	—	157,225	176,460
2016-17	2,672	—	162,225	164,897
2017-18	2,635	—	262,225	264,860
2018-19	—	—	100,000	100,000
	$ 83,552	$ 368	$ 848,900	$ 932,820

Note 10 Payments Under Agreement

(in thousands)

The department has entered into agreements to deliver programs that are fully funded by the Government of Canada. Costs under these agreements are incurred by the department under authority of section 25 of the *Financial Administration Act*. Accounts Receivable includes $15,889 (2013 - $64,436) relating to payments under agreement.

Government of Canada

Net amounts paid and (payable) under agreements on behalf of the Government of Canada:

	2014	2013 (Restated Note 3)
Canadian Millennium Scholarship Foundation		
Canadian Millennium Scholarships	$ (18)	$ (205)
Government of Canada		
Canada Study Grants	(28)	(128)
Canada Access Grants	—	(10)
Canada Student Grants	72,415	73,614
	$ 72,369	$ 73,271

Provincial/Territorial (P/T) Forum of Immigration Ministers Secretariat

On December 13, 2013, responsibility for administrating the P/T Secretariat on behalf of the P/T Forum of Immigration Ministers Secretariat has been transferred to the Department of Jobs, Skills, Training and Labour as a result of the re-organization of government departments established by Order in Council 409/2013 under the *Government Organization Act*.

Note 11 Benefit Plans

(in thousands)

The department participates in the following multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $9,320 for the year ended March 31, 2014 ($8,521 restated). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2013, the Management Employees Pension Plan reported a surplus of $50,457 (2012 - deficiency $303,423), the Public Service Pension Plan reported a deficiency of $1,254,678 (2012 - deficiency $1,645,141) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of $12,384 (2012 - deficiency $51,870).

The department also participates in two multi-employer Long-term Disability Income Continuance Plans. At March 31, 2014, the Bargaining Unit Plan reported an actuarial surplus of $75,200 (2013 - surplus $51,717) and the Management, Opted Out and Excluded Plan an actuarial surplus of $24,055 (2013 - surplus $18,327). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 12 Adjustment to Net Assets

(in thousands)

The adjustment is a result of Completion Incentive Grants that should have been recognized in the prior year. The result is a decrease in net assets of $14,406.

Note 13 Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

Note 14 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedules to the Financial Statements

Schedule 1 Revenues

(in thousands)

Year ended March 31, 2014	2014 Constructed Budget (1)	2014 Actual	2013 Actual (Restated Note 3)
Government Transfers			
Government of Alberta Transfers			
Alberta Heritage Scholarship Fund	$ 36,243	$ 37,362	$ 37,570
Alberta Heritage Science and Engineering Research Endowment Fund	42,500	42,500	42,500
	78,743	79,862	80,070
Federal Grants			
Government of Canada Transfers	7,200	7,856	8,708
	7,200	7,856	8,708
Investment Income			
Interest on Student Loans Issued	11,100	14,216	11,073
	11,100	14,216	11,073
Premiums, Fees and Licences			
Apprenticeship Services	7,000	7,175	6,642
Fees and Licences	2,460	2,579	2,346
	9,460	9,754	8,988
Other Revenue			
Refund of Expenditure	3,200	10,888	3,923
Other	2,669	2,098	1,756
	5,869	12,986	5,679
	$ 112,372	$ 124,674	$ 114,518

(1) Budget numbers have been restated to reflect the re-organization of government departments established by Orders in Council under the *Government Organization Act*, O.C. 316/2013 on October 2 and O.C. 409/2013 on December 13, 2013 and an accounting policy change to reflect federal government contributions under the French Minority Language Education and French Second Language Instruction as a credit/recovery and not a payment based on agreement.

Schedule 2 Credit or Recovery

(in thousands)

Year ended March 31, 2014	2014				
	Authorized	Actual Revenue Recognized	Deferred Revenue	Actual Cash/ Donation Received	(Shortfall) / Excess
Information and Technology Management Services (1)	$ 2,025	$ 1,265	$ —	$ 1,265	$ (760)
Canada Student Loan Administration (2)	2,900	3,436	—	3,436	536
Apprenticeship Services (3)	8,000	7,175	851	8,026	26
Regional Development (4)	644	644	—	644	—
French Language Program (5)	4,300	4,300	—	4,300	—
	$ 17,869	$ 16,820	$ 851	$ 17,671	$ (198)

The revenue of each credit or recovery is included in the department's revenue.

(1) Revenue collected from the provision of certain information and technology management services to stakeholders on a cost-recovery basis. Element 1.4 – Schedule 5.

(2) Revenue received from the Government of Canada for administering of Canada Student Loans and conducting a study and developing material as prescribed by the federal government on a cost-recovery basis. Element 4.1 – Schedule 5.

(3) Fees collected for the provision of registration and assessment services to individuals seeking certification in designated trades and occupations. As well, consulting services are provided on a cost-recovery basis to other countries and jurisdictions. Apprenticeship technical training spaces in Alberta institutions are provided on a cost-recovery basis to Yukon Territory, Northwest Territories and Nunavut. Element 3.2 – Schedule 5.

(4) Funding from the Rural Alberta Development Fund to enhance services provided to entrepreneurs and small centre businesses through Rural Alberta Business. Element 6.4 – Schedule 5.

(5) Funding is received from the federal government to support French minority language and second language education programs provided by post-secondary institutions and fellowships for individuals in full-time studies in French. Elements 2.2 and 4.2 – Schedule 5.

Schedule 3 Expenses – Directly Incurred Detailed by Object

(in thousands)

Year ended March 31, 2014	2014		2013
	Constructed Budget (1)	Actual	Actual
			(Restated Note 3)
Salaries, Wages and Employee Benefits	$ 80,638	$ 76,626	$ 72,548
Supplies and Services	62,477	61,031	58,988
Grants	2,514,510	2,569,100	2,665,993
Amortization of Tangible Capital Assets	5,000	5,272	5,016
Provision for Future Cost of Student Loans Issued	41,703	35,367	3,530
Other	120	632	1,000
	$ 2,704,448	$ 2,748,028	$ 2,807,075

(1) Budget numbers have been restated to reflect the re-organization of government departments established by Orders in Council under the *Government Organization Act*, O.C. 316/2013 on October 2 and O.C. 409/2013 on December 13, 2013 and an accounting policy change to reflect a federal government contributions under the French Minority Language Education and French Second Language as a credit/recovery and not a payment based on agreement.

Schedule 4 Budget Reconciliation

(in thousands)

Year ended March 31, 2014	2013-14 Estimate (Restated Note 3)(1)	Adjustments to Conform to Accounting Policy (2)	2013-14 Constructed Budget
Revenues			
Government Transfers			
Government of Alberta Grants	$ 78,743	$ —	$ 78,743
Federal Grants	7,200	—	7,200
Investment Income	11,100	—	11,100
Premiums, Fees and Licences	9,460	—	9,460
Other Revenue	5,869	—	5,869
	112,372	—	112,372
Expenses – Directly Incurred			
Programs			
Ministry Support Services	38,072	—	38,072
Support for Adult Learning	2,147,959	—	2,147,959
Apprenticeship Delivery	41,135	—	41,135
Student Aid	200,854	—	200,854
Innovation and Technology Commercialization	185,403	—	185,403
Enterprise	16,325	—	16,325
Alberta Centennial Education Savings Plan	11,000	—	11,000
Post-Secondary Infrastructure	—	63,700	63,700
	2,640,748	63,700	2,704,448
Net Operating Results	$(2,528,376)	$ (63,700)	$(2,592,076)
Capital Spending	$ 68,347	$ (63,700)	$ 4,647
Financial Transactions	$ 425,000	$ —	$ 425,000

(1) Budget numbers have been restated to reflect the re-organization of government departments established by Orders in Council under the *Government Organization Act*, O.C. 316/2013 on October 2 and O.C. 409/2013 on December 13, 2013 and an accounting policy change to reflect federal government contributions under the French Minority Language Education and French Second Language Instruction as a credit/recovery and not a payment based on agreement.

(2) Accounting Adjustments are in accordance with PS 1200.125 and include operating expenses such as capital grants included in Capital Spending.

Schedule 5 Lapse/Encumbrance

(in thousands)

Year ended March 31, 2014		Voted Estimate (1)	Supplementary Estimate (2)	Adjustments (3)	Adjusted Voted Estimate	Voted Actuals (4)	Unexpended (Overexpended)
Program - Operating							
1 Ministry Support Services							
1.1	Minister's Office	$ 794	$ —	$ —	$ 794	$ 826	$ (32)
1.2	Deputy Minister's Office	700	—	—	700	699	1
1.3	Communications	1,013	—	—	1,013	958	55
1.4	Strategic Corporate Services	31,166	—	—	31,166	30,227	939
1.5	Corporate Costs	2,263	—	—	2,263	2,886	(623)
1.6	International Partnerships	1,531	—	—	1,531	1,414	117
		37,467	—	—	37,467	37,010	457
2 Support for Adult Learning							
2.1	Program Delivery Support	13,554	—	—	13,554	12,573	981
2.2	Operating Support for Post-Secondary Institutions	2,019,007	50,000	—	2,069,007	2,088,653	(19,646)
2.3	Academic Health Centres	21,000	—	—	21,000	21,000	—
2.4	Campus Alberta Innovations	33,742	—	—	33,742	22,946	10,796
2.5	Inter-Jurisdiction Programs	8,905	—	—	8,905	8,728	177
2.6	Community Education	21,941	—	—	21,941	18,839	3,102
2.7	Other Program Support	29,810	—	—	29,810	22,890	6,920
		2,147,959	50,000	—	2,197,959	2,195,629	2,330
3 Apprenticeship Delivery							
3.1	Apprenticeship Delivery Support	31,935	—	—	31,935	29,793	2,142
3.2	Apprenticeship Services	7,000	—	1,000	8,000	7,150	850
		38,935	—	1,000	39,935	36,943	2,992
4 Student Aid							
4.1	Program Delivery Support	25,858	—	—	25,858	25,694	164
4.2	Scholarships	35,400	—	—	35,400	35,534	(134)
4.3	Grants and Bursaries	59,450	—	—	59,450	52,916	6,534
		120,708	—	—	120,708	114,144	6,564
5 Innovation and Technology Commercialization							
5.1	Program Delivery Support	10,389	—	—	10,389	10,153	236
5.2	Research Capacity	26,833	—	—	26,833	29,357	(2,524)
5.3	Strategic Partnerships	10,497	—	—	10,497	11,951	(1,454)
5.4	Commercialization Capacity	4,383	—	—	4,383	1,250	3,133
5.5	Transfer to Alberta Enterprise Corporation	1,150	—	—	1,150	1,050	100
5.6	Grants to Alberta Innovates Corporations	132,151	—	—	132,151	132,215	(64)
		185,403	—	—	185,403	185,976	(573)
6 Enterprise							
6.1	Program Development and Support	3,286	—	—	3,286	2,829	457
6.2	Alberta Economic Development Authority	661	—	—	661	615	46
6.3	Industry Development	7,065	—	—	7,065	7,142	(77)
6.4	Regional Development	5,313	—	—	5,313	6,282	(969)
		16,325	—	—	16,325	16,868	(543)
7 2013 Alberta Flooding Non-Disaster Recovery Expenses							
7.1	Economic Renewal Initiative	—	275	—	275	275	—
7.2	Small Business Rebuilding	—	3,000	—	3,000	118	2,882
		—	3,275	—	3,275	393	2,882
Credit or Recovery (Shortfall) (Schedule 2)		—	—	(198)	(198)	—	(198)
Total		$ 2,546,797	$ 53,275	$ 802	$ 2,600,874	$ 2,586,963	$ 13,911
Lapse/(Encumbrance)							$ 13,911

Schedule 5 Lapse/Encumbrance *(continued)*

(in thousands)

Year ended March 31, 2014	Voted Estimate (1)	Supplementary Estimate (2)	Adjustments (3)	Adjusted Voted Estimate	Voted Actuals (4)	Unexpended (Overexpended)
Program - Capital						
1 Ministry Support Services						
1.4 Strategic Corporate Services	$ 1,217	$ (1,000)	$ —	$ 217	$ 163	$ 54
2 Support for Adult Learning						
2.7 Other Program Support	—	2,220	—	2,220	2,125	95
3 Apprenticeship Delivery						
3.1 Program Delivery Support	430	1,110	—	1,540	1,711	(171)
4 Student Aid						
4.1 Program Delivery Support	3,000	(650)	—	2,350	2,260	90
8 Post-Secondary Infrastructure						
8.1 Capital Expansion and Upgrading	15,000	—	—	15,000	15,012	(12)
8.2 Capital Maintenance and Renewal	48,700	—	—	48,700	48,567	133
Sub-total	63,700	—	—	63,700	63,579	121
Total	$ 68,347	$ 1,680	$ —	$ 70,027	$ 69,838	$ 189
Lapse/(Encumbrance)						$ 189
Financial Transactions						
4 Student Aid						
4.5 Student Loan Disbursements	$ 425,000	$ —	$ —	$ 425,000	$ 384,425	$ 40,575
Total	$ 425,000	$ —	$ —	$ 425,000	$ 384,425	$ 40,575
Lapse/(Encumbrance)						$ 40,575

(1) Budget numbers have been restated to reflect the re-organization of government departments established by Orders in Council under the *Government Organization Act*, O.C. 316/2013 on October 2 and O.C. 409/2013 on December 13, 2013 and an accounting policy change to reflect federal government contributions under the French Minority Language Education and French Second Language Instruction as a credit/recovery and not a payment based on agreement.

(2) Supplementary Estimates were approved on March 13, 2014.

(3) A budget adjustment was made as follows:

- $1,000 increase in expense offset by a corresponding increase in dedicated revenue pursuant to the *Financial Administration Act* section 24(2).

(4) Actuals exclude non-voted amounts such as amortization and valuation adjustments.

Schedule 6 Salary and Benefits Disclosure

(in thousands)

Year ended March 31, 2014	2014				2013
	Base Salary (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total (Restated Note 3)
Deputy Minister (4) (5)	$ 281	$ 2	$ 85	$ 368	$ 368
Executives:					
Advanced Learning and Community Partnerships	193	2	57	252	244
Apprenticeship and Student Aid (6)	116	14	31	161	228
Innovation and Advanced Technologies (7)	193	13	57	263	263
International Partnerships (8)	164	2	46	212	56
Enterprise (9)	186	9	54	249	231
Senior Financial Officer	139	2	38	179	164
Human Resources Executive Director	156	2	44	202	192
Chief Information Officer, Information and Technology Management	158	2	45	205	201

(1) Base Salary includes regular base pay.

(2) Other Cash Benefits include vacation payouts and lump sum payments. There were no bonuses or severance paid in 2014.

(3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plan, health care, health spending account, dental coverage, group life insurance, short and long term disability plans and professional memberships.

(4) Automobile provided, no dollar amount included in other non-cash benefits.

(5) The position was occupied by two individuals at different times during the year in 2014.

(6) This position was vacant from November 16, 2013.

(7) This position was responsible for the former Innovation and Technology Commercialization division and also became responsible for the former Research and Innovation division when the two divisions merged effective April 1, 2013.

(8) This position was occupied beginning January 2013.

(9) This position was renamed from Economic Competiveness to Enterprise in 2014. Other cash benefits include $2 for management special services compensation relating to the 2013 Alberta flood.

Schedule 7 Related Party Transactions

(in thousands)

Year ended March 31, 2014

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

The Department had the following transactions with related parties which are recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities Outside the Ministry	
	2014	2013 (Restated Note 3)	2014	2013 (Restated Note 3)
Revenues				
Grants	$ —	$ —	$ 79,862	$ 80,070
Other	2,783	2,337	—	—
	$ 2,783	$ 2,337	$ 79,862	$ 80,070
Expenses – Directly Incurred				
Grants	$ 2,357,248	$ 2,462,500	$ 1,720	$ 1,498
Other Services	3,752	2,910	5,862	5,782
	$ 2,361,000	$ 2,465,410	$ 7,582	$ 7,280
Receivables from	$ 341	$ 354	$ —	$ —
Payables to	$ 26,735	$ 8,236	$ 1,000	$ 500
Contractual Obligations	$ 899,116	$ 49,034	$ —	$ —

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements. Expenses incurred by others are disclosed in Schedule 8.

	2014	2013 (Restated Note 3)
Expenses – Incurred by Others		
Accommodation	$ 8,788	$ 6,458
Legal	802	743
Shared Services	3,862	5,331
Air Transportation Services	96	133
Internal Audit	48	280
GOA Learning Centre	37	47
	$ 13,633	$ 12,992

Schedule 8 Allocated Costs

(in thousands)

Year ended March 31, 2014	2014					2013
		Expenses – Incurred by Others				
	Expenses (1)	Accommodation Costs (2)	Legal Services (3)	Other Services (4)	Total Expenses	Total Expenses
						(Restated Note 3)
Program						
Ministry Support Services	$ 38,323	$ 1,618	$ 348	$ 4,043	$ 44,332	$ 42,449
Support for Adult Learning	2,196,268	1,165	91	—	2,197,524	2,294,209
Apprenticeship Delivery	39,134	2,961	110	—	42,205	44,472
Student Aid	188,556	1,451	41	—	190,048	135,017
Innovation and Technology Commercialization	185,976	749	185	—	186,910	191,767
Enterprise	16,868	844	27	—	17,739	18,457
2013 Alberta Flooding Non-Disaster Recovery	393	—	—	—	393	—
Post-Secondary Infrastructure	63,578	—	—	—	63,578	75,917
Alberta Centennial Education Savings Plan	18,932	—	—	—	18,932	17,318
	$ 2,748,028	$ 8,788	$ 802	$ 4,043	$ 2,761,661	$ 2,819,606

(1) Expenses – Directly Incurred as per Statement of Operations.

(2) Costs shown for Accommodations are allocated based on proportion of full-time-equivalent staff.

(3) Costs shown for Legal Services are allocated by estimated costs incurred by each program.

(4) Other Services costs include Shared Services, Air Transportation Services / Executive Vehicle, Internal Audit and GOA Learning Centre and are allocated only to Ministry Support Services as the services relate to ministry support functions.

Schedule 9 Funding Provided to Post-Secondary Institutions and Research Entities

(in thousands)

Year ended March 31, 2014		Operating Grants (1)		Grants for Infrastructure	
		2014	2013 (Restated Note 3)	2014	2013
Post-Secondary Institutions					
Comprehensive Academic and Research Institutions	Athabasca University	$ 39,758	$ 41,433	$ 1,700	$ 3,024
	University of Alberta	608,755	640,142	17,405	25,612
	University of Calgary	441,598	470,664	9,937	15,907
	University of Lethbridge	97,608	102,240	1,782	1,823
Baccalaureate and Applied Studies Institutions	MacEwan University	105,449	107,568	1,330	3,464
	Mount Royal University	88,283	88,895	1,150	3,280
Polytechnical Institutions	Northern Alberta Institute of Technology	177,293	177,820	12,766	4,778
	Southern Alberta Institute of Technology	152,177	158,485	2,717	2,644
Comprehensive Community Institutions	Bow Valley College	38,729	39,858	151	437
	Grande Prairie Regional College	45,990	46,334	1,322	1,963
	Keyano College	38,006	41,821	1,005	1,491
	Lakeland College	34,632	35,582	773	1,532
	Lethbridge College	45,018	45,984	683	854
	Medicine Hat College	31,961	32,906	598	1,215
	NorQuest College	44,710	44,392	5,377	765
	Northern Lakes College	32,520	31,602	411	857
	Olds College	29,829	29,826	672	1,680
	Portage College	22,843	23,571	993	716
	Red Deer College	50,605	52,062	899	1,381
Specialized Arts and Culture Institutions	Alberta College of Art + Design	12,311	12,599	356	274
	The Banff Centre	16,489	16,444	893	1,499
Total Public Post-Secondary Institutions		2,154,564	2,240,228	62,920	75,196
Independent Academic Institutions	Ambrose University College	2,648	2,588	—	—
	Canadian University College	3,035	2,930	—	—
	Concordia University College of Alberta	12,011	11,815	—	—
	St. Mary's University College	3,097	2,921	—	—
	The King's University College	4,466	4,363	—	—
Private Vocational Schools	Columbia College	93	94	—	—
Other Colleges	Yellowhead Tribal College	823	449	—	—
	Blue Quills First Nations College	361	150	—	—
	Maskwachees Cultural College	420	474	—	—
	Mikai Sto Foundation	84	243	—	—
	Red Crow Community College	272	—	—	—
	Old Sun Community College	264	592	—	—
Total Funding Provided to Institutions		2,182,138	2,266,847	62,920	75,196
Research Entities	Alberta Innovates – Energy and Environment Solutions	21,375	22,193	—	—
	Alberta Innovates – Bio Solutions	20,118	20,236	—	—
	Alberta Innovates – Technology Futures	97,222	102,501	—	—
Total Funding Provided to Research Entities		138,715	144,930	—	—
Total Funding Provided to Post-Secondary Institutions and Research Entities		$ 2,320,853	$ 2,411,777	$ 62,920	$ 75,196

(1) Includes funding to these entities from all department programs.

Access to the Future Fund

Financial Statements

March 31, 2014

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Minister of Innovation and Advanced Education

Report on the Financial Statements

I have audited the accompanying financial statements of the Access to the Future Fund, which comprise the statement of financial position as at March 31, 2014, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Access to the Future Fund as at March 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by

Merwan N. Saher, FCA
Auditor General

June 9, 2014
Edmonton, Alberta

Statement of Operations

for the year ended March 31, 2014 *(in thousands)*

	2014 Budget	2014 Actuals	2013 Actuals
Revenues			
Government Transfers			
Government of Alberta Grants	$ 52,014	$ 51,809	$ 51,245
Investment Income	1,553	1,413	819
	53,567	53,222	52,064
Expenses (Note 1)	—	—	—
Net Operating Results	$ 53,567	$ 53,222	$ 52,064

The accompanying notes are part of these financial statements.

Statement of Financial Position

as at March 31, 2014 *(in thousands)*

	2014	2013
Assets		
Cash (Note 4)	$ 170,894	$ 117,672
	$ 170,894	$ 117,672
Net Assets		
Net Assets at Beginning of Year	117,672	65,608
Net Operating Results	53,222	52,064
Net Assets at End of Year	170,894	117,672
	$ 170,894	$ 117,672

The accompanying notes are part of these financial statements.

Statement of Cash Flows

for the year ended March 31, 2014 *(in thousands)*

	2014	2013
Operating Transactions		
Net Operating Results	$ 53,222	$ 52,064
Cash Generated from Operating Transactions	53,222	52,064
Increase in Cash	53,222	52,064
Cash, Beginning of Year	117,672	65,608
Cash, End of Year	$ 170,894	$ 117,672

The accompanying notes are part of these financial statements.

Notes to the Financial Statements

March 31, 2014

Note 1 Authority and Purpose

The Access to the Future Fund (the Fund) operates under the authority of the *Access to the Future Act*.

Generally, the purpose of the Fund is to support innovation and excellence by enhancing and expanding opportunities for Albertans to participate in accessible, affordable and high-quality advanced education opportunities. The Fund provides matching payments to stimulate donations for post-secondary institutions and apprenticeship scholarships. In Budgets 2011, 2012, and 2013, payments from the Fund were suspended for 2011-12 to 2013-14.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Access to the Future Fund, which is part of the Ministry of Innovation and Advanced Education and for which the Minister of Innovation and Advanced Education is accountable. Other entities accountable to the Minister are the Department of Innovation and Advanced Education, Alberta Enterprise Corporation, Alberta Innovates – Bio Solutions, Alberta Innovates – Energy & Environment Solutions, Alberta Innovates – Technology Futures, and the Public Post-Secondary Institutions. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial positions and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year-end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Fund's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Fund complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Fund is eligible to receive the funds.

Expenses

Grants are recognized as expenses when authorized and eligibility criteria, if any, are met.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets of the Fund are limited to cash transferred or interest receivable from the General Revenue Fund of the Province of Alberta (General Revenue Fund).

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Note 2 ***Summary of Significant Accounting Policies and Reporting Practices*** *(continued)*

Net Assets / Net Liabilities

Net Assets/Net Liabilities represent the difference between the carrying value of assets held by the Fund and its liabilities.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Fund operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

(c) Future Accounting Changes

PS 3450 Financial Instruments

In June 2011, the Public Sector Accounting Board issued this accounting standard and subsequently extended the effective date to April 1, 2016 from April 1, 2015. The Fund has not yet adopted this standard and has the option of adopting it in fiscal year 2016-17 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

Note 3 *Advanced Education Endowment*

(in thousands)

The Advanced Education Endowment (the Endowment) is an account within the Alberta Heritage Savings Trust Fund that was established by the *Access to the Future Act*. As per section 4(7) of the *Access to the Future Act*, an amount equal to 4.5% of the total amount allocated to the Endowment shall be paid annually from the General Revenue Fund to the Fund.

The Endowment is inflation-proofed in accordance with section 4(6) of the *Access to the Future Act* and section 11 of the *Alberta Heritage Savings Trust Fund Act*. The amount of funding allocated to the Endowment for inflation proofing is an estimate and the actual amount may not be known until after the finalization of the Alberta Heritage Savings Trust Fund financial statements. There was no change to the 2013 estimate.

	2014	2013
Opening balance	$ 1,151,315	$ 1,138,788
Inflation proofing	14,967	12,527
Closing balance	$ 1,166,282	$ 1,151,315

Note 4 *Cash*

The Consolidated Cash Investment Trust Fund is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2014, securities held by the Fund have a time-weighted rate of return of 1.2% per annum (2013 - 1.3% per annum).

Note 5 *Related Party Transactions*

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include the Department of Innovation and Advanced Education.

The Fund received a government transfer of $51,809 (2013 - $51,245) from the Department of Treasury Board and Finance. The amount of consideration was agreed upon between the related parties.

Note 6 Subsequent Event

(in thousands)

In Budget 2014 payments from the Fund will resume in 2014-15 with $50,000 provided for operating support. An additional $10,000 for capital purposes has also been approved for 2014-15. The budget received royal assent on April 24, 2014.

Note 7 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Alberta Enterprise Corporation
Financial Statements

March 31, 2014 *Audited Information*

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AUDITOR GENERAL *Alberta*

Independent Auditor's Report

To the Board of Directors of Alberta Enterprise Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of Alberta Enterprise Corporation, which comprise the statement of financial position as at March 31, 2014, and the statements of operations, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Alberta Enterprise Corporation as at March 31, 2014, and the results of its operations, its remeasurement gains and losses, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

original signed by

Merwan N. Saher, FCA
Auditor General

May 26, 2014
Edmonton, Alberta

Statement of Financial Position

as at March 31, 2014 *(in thousands)*

	2014	2013
Assets		
Cash (Note 3)	$ 48,429	$ 62,926
Accounts Receivable	327	—
Investments (Note 4)	50,772	35,699
	$ 99,528	$ 98,625
Liabilities		
Accounts Payable and Accrued Liabilities	$ 243	$ 160
	243	160
Net Assets		
Accumulated Surplus	94,591	95,481
Accumulated Remeasurement Gains	4,694	2,984
	99,285	98,465
	$ 99,528	$ 98,625

Contractual Obligations (Note 5)

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors

original signed by
Paul G. Haggis
Chairman of the Board

original signed by
Barry Heck
Vice Chairman of the Board

Statement of Operations

for the year ended March 31, 2014 *(in thousands)*

	2014		2013
	Budget	Actuals	Actuals
Revenues			
Grant from Government of Alberta	$ 1,150	$ 1,050	$ 2,150
Other Revenue	—	8	27
	1,150	1,058	2,177
Expenses - Directly Incurred (Note 2b, Schedule 1)			
Operating Costs	1,150	1,144	2,081
	1,150	1,144	2,081
Annual Operating (Deficit) Surplus	—	(86)	96
Realized Loss on Investments (Note 4)	—	(804)	(1,832)
Net Loss	$ —	(890)	(1,736)
Accumulated Surplus, Beginning of Year		95,481	97,217
Accumulated Surplus, End of Year		$ 94,591	$ 95,481

The accompanying notes and schedules are part of these financial statements.

Statement of Remeasurement Gains and Losses

for the year ended March 31, 2014 *(in thousands)*

	2014	2013
Unrealized Gains Attributed to:		
Investments	$ 515	$ 184
Foreign Exchange	1,195	134
Net Remeasurement Gains for the Year	1,710	318
Accumulated Remeasurement Gains at Beginning of Year	2,984	2,666
Accumulated Remeasurement Gains at End of Year	$ 4,694	$ 2,984

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows

for the year ended March 31, 2014 *(in thousands)*

	2014	2013
Operating Transactions		
Annual Operating (Deficit) Surplus	$ (86)	$ 96
Decrease (Increase) in Accounts Receivable	(327)	34
Increase (Decrease) in Accounts Payable and Accrued Liabilities	83	(204)
Cash Applied to Operating Transactions	(330)	(74)
Investing Transactions		
Purchase of Investments	(15,005)	(27,333)
Proceeds on Sale of Investments	838	—
Cash Applied to Investing Transactions	(14,167)	(27,333)
Decrease in Cash	(14,497)	(27,407)
Cash, Beginning of Year	62,926	90,333
Cash, End of Year	$ 48,429	$ 62,926

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements

March 31, 2014

Note 1 Authority and Purpose

The Alberta Enterprise Corporation (the Corporation) is a Provincial Corporation that operates under the authority of the *Alberta Enterprise Corporation Act*.

The Alberta Enterprise Corporation was established on December 5, 2008 and is part of a strategy to encourage technology commercialization and promote growth in Alberta's venture capital industry.

The Corporation is exempt from Canadian federal and Alberta provincial income taxes.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

(in thousands)

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

(a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Innovation and Advanced Education and for which the Minister of Innovation and Advanced Education is accountable. Other entities accountable to the Minister are the Department of Innovation and Advanced Education, Access to the Future Fund, Alberta Innovates – Bio Solutions, Alberta Innovates – Energy and Environment Solution, Alberta Innovates – Technology Futures, and the Public Post-Secondary Institutions. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial positions and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as deferred revenue.

Government Transfers

Transfers from the Government of Alberta are referred to as government transfers.

Government transfers and the associated externally restricted investment income are recorded as deferred revenue if the terms for use of the transfer, or the terms along with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the terms are met and, when applicable, the Corporation complies with its communicated use of the transfer.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the Corporation is eligible to receive the funds.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Corporation has primary responsibility and accountability for, as reflected in the government's budget documents. Expenses are recorded on an accrual basis.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Cash and Accounts Receivable are the financial assets of the Corporation. The Corporation does not take out loans or issue equity.

(c) Financial Instruments

Accounting Standard for Investments

The Corporation records investments using Public Sector Accounting Board (PSAB) Standard PS 3450 – Financial Instruments and PS 2601 – Foreign Currency Translation.

Note 2 ***Summary of Significant Accounting Policies and Reporting Practices*** *(continued)* *(in thousands)*

The Corporation records investments in limited partnerships on a fair value basis. Fair value is determined by the Limited Partnerships based upon valuation techniques considered appropriate by the Corporation and may include techniques such as discounted cash flows, prevailing market values for instruments with similar characteristics and other pricing models as appropriate. The Corporation relies upon the audited financial statements of the limited partnerships when valuing the Corporation's investments.

Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Corporation and its liabilities.

Canadian Public Sector Accounting Standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Corporation operates within the government reporting entity, and does not finance any of its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Investments recorded at $50,772 in the financial statements are subject to measurement uncertainty.

Measurement uncertainty exists with the determination of the fair value of the investments. The fair value of the investments are estimated by the General Partner of each fund. The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from value that would have been used had a ready market existed for the investments.

Valuation of Financial Assets and Liabilities

Financial Statement Component	Measurement
Cash	Fair Value
Accounts Receivable	Amortized Cost
Investments	Fair Value
Accounts Payable and Accrued Liabilities	Amortized Cost

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Cash, Accounts Receivable, Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments.

(d) Foreign Currency Translation

Financial assets and liabilities recorded in foreign currencies are translated to Canadian dollars at the year-end exchange rate.

Revenues and expenses are translated at the average exchange rate for the year. Unrealized gains and losses due to foreign currency fluctuations are recorded in the Statement of Remeasurement Gains and Losses.

(e) Future Accounting Changes

PS 3260 Liability for Contaminated Sites

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The Corporation would recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. Management does not expect the implementation of this standard to have a significant impact on the financial statements in the next fiscal period.

(f) Budget

A business plan with no budgeted surplus or deficit was approved by the Board on November 14, 2013 and the full financial plan was submitted to the Minister of Innovation and Advanced Education.

Note 3 Cash

(in thousands)

Cash in the amount of $48,429 (2013 - $ 62,926) includes deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is managed with the objective of providing competitive interest income to depositors while maintaining appropriate security and liquidity of depositors' capital.

The portfolio is comprised of high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2014, securities held by the Corporation had a time weighted return of 1.2% per annum (2013 - 1.2% per annum). Due to the short term nature of the CCITF investments, the carrying value approximates fair value. Interest earned is returned directly to the General Revenue Fund of the Government of Alberta.

As at March 31, 2014, the Corporation has $48,429 (2013 - 62,926) in Cash, of which $41,977 (2013 - $53,384) has been committed for partnership capital contributions.

Note 4 Investments

(in thousands)

The Government of Alberta has allocated $100,000 to the Corporation for investments in Limited Partnerships that provide venture capital in knowledge-based industries.

The Corporation is a Limited Partner in eight (2013 - eight) Limited Partnerships and $ 94,220 (2013 - $90,599) has been committed to these Limited Partnerships. Committed funds are paid into the Limited Partnership in amounts and at times determined by the General Partner in order to meet the Limited Partnership's funding requirements. The Corporation's disbursements to date and commitments are as follows:

	Chrysalix Energy III Fund (a)	Yaletown Ventures II	iNovia Fund III	Enertech Capital Partners IV (a)	Azure Capital Partners III (a)	32 Degrees D.E. Fund II (S&T AIV) LP	Avrio Ventures II	Accelerate Fund	2014 Total	2013 Total
Funds disbursed to partnership for:										
Investments (b)	$ 9,133	$ 9,918	$ 3,486	$ 3,580	$ 5,097	$ 7,284	$ 3,745	$ 10,000	$ 52,243	$ 37,215
Remaining Commitment	7,450	4,082	6,514	13,003	5,957	2,716	2,255	—	41,977	53,384
Total Funding Committed	$ 16,583	$ 14,000	$ 10,000	$ 16,583	$ 11,054	$ 10,000	$ 6,000	$ 10,000	$ 94,220	$ 90,599

(a) Commitments are payable in US dollars. Amounts above are based upon exchange rate on March 31, 2014.

(b) Investments include management fees which are part of the Corporation's capital investment in the Limited Partnerships.

The Corporation's investments in Limited Partnerships are recorded on a fair value basis and include unrealized gains or losses, which are reflected in the Statement of Remeasurement Gains and Losses. The Corporation's share in each Limited Partnership includes contributions to the Limited Partnerships for investments. It also includes a share of gains or losses of the Limited Partnerships as set out in the individual Limited Partnership agreements.

The Corporation's investment in Limited Partnerships is as follows:

	2014		2013	
	Share of Equity	Percentage in Partnership	Share of Equity	Percentage in Partnership
Chrysalix Energy III Fund	$ 8,635	10.32%	$ 7,845	10.32%
Yaletown Ventures II	8,625	15.58%	5,716	15.58%
iNovia Fund III	4,014	9.04%	2,247	9.14%
Enertech Capital Partners IV	3,215	12.66%	2,346	28.53%
Azure Capital Partners III	5,264	12.42%	2,403	12.42%
32 Degrees D.E. Fund II (S&T AIV) LP	7,936	99.99%	3,733	99.99%
Avrio Ventures II	3,791	6.56%	1,581	6.56%
Accelerate Fund	9,292	99.99%	9,828	99.99%
Total	$ 50,772		$ 35,699	

Note 4 ***Investments*** *(continued)* *(in thousands)*

The change in fair values of the investments in Limited Partnerships since April 1, 2013 are as follows:

	Chrysalix Energy III Fund	Yaletown Ventures II (b)	iNovia Fund III (b)	Enertech Capital Partners IV	Azure Capital Partners III	32 Degrees D.E. Fund II (S&T AIV) LP	Avrio Ventures II	Accelerate Fund	2014 Total	2013 Total
Investment in Partnership, Beginning of Year	$ 7,845	$ 5,716	$ 2,247	$ 2,346	$ 2,403	$ 3,733	$ 1,581	$ 9,828	$ 35,699	$ 9,880
Funds disbursed to Partnership for Investments (a)	1,833	3,710	1,525	1,694	2,413	3,294	2,052	—	16,521	27,333
Proceeds of Investment Gain	—	(648)	(190)	—	—	—	—	—	(838)	—
Return of Capital	—	(372)	(139)	(1,005)	—	—	—	—	(1,516)	—
Remeasurement Gains (Losses)	(527)	(139)	491	293	638	813	141	—	1,710	318
Realized Gains (Losses) on Investments (b)	(516)	358	80	(113)	(190)	96	17	(536)	(804)	(1,832)
Investment in Partnership, End of Year	$ 8,635	$ 8,625	$ 4,014	$ 3,215	$ 5,264	$ 7,936	$ 3,791	$ 9,292	$ 50,772	$ 35,699
Cost of Partnership Investment	$ 9,133	$ 9,918	$ 3,486	$ 3,580	$ 5,097	$ 7,284	$ 3,745	$ 10,000	$ 52,243	$ 37,215

(a) Amounts include management fees paid by Limited Partnerships to General Partners. Management fees are recovered from the Corporation as part of capital in accordance with the Limited Partnership agreements.

(b) Realized Gains (Losses) on investments includes $648 realized gains due to sale of investment by Yaletown Ventures II, and $190 realized gains due to sale of investment by iNovia.

Fair Value Hierarchy

Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.

Level 2 Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market.

Level 3 Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

Unrealized gains and losses due to changes in the fair value of investments in Limited Partnerships, and the fluctuations in foreign exchange currency rates are recorded in the Statement of Remeasurement Gains and Losses.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Corporation. The Corporation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Corporation's perceived risk of that investment.

The Corporation's investments have all been classified within level 3 as the fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. When observable prices are not available for these securities, the Limited Partnerships use one or more valuation techniques (e.g. the market approach, the income approach) for which sufficient and reliable data is available. Within level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of the estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

Note 4 **Investments** *(continued)* *(in thousands)*

As quoted market prices are not readily available for private investments, estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

Risks

The Corporation is subject to market and liquidity risk with respect to its investment portfolio.

Market Risk

Market risk encompasses the potential for both losses and gains, and includes price risk and foreign currency risk. Price risk is the risk of a potential of decline in the price of an investment or an asset. Foreign currency risk is the risk that the value of an investment is affected by changes in exchange rates.

The Corporation's price risk is driven primarily by volatility in its venture capital investments. The Corporation generally invests in Limited Partnerships in the initial stages of development. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material.

The value of the Corporation's investments in Limited Partnerships denominated in foreign currencies may change due the changes in exchange rates.

If the value of the Canadian dollar increased by 10% against the U.S. dollar, and all other variables are held constant, the potential loss in fair value to the Corporation would be approximately 3.4% of total investments (2013 - 3.5%).

Liquidity Risk

Liquidity risk is the risk that a given investment or asset cannot be traded quickly enough in the market to prevent a loss.

The Corporation's investments are long term and highly illiquid. There is no assurance that the Corporation will ultimately realize the carrying value of the investments.

To manage these risks, the Corporation has established policies around the type of limited partnerships that it invests in. In addition, each limited partnership has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerance and in accordance with the Limited Partnership's investment mandate. The Corporation does not participate in any foreign currency hedging activities.

The Corporation is not exposed to significant credit, and interest risk.

Note 5 ## *Contractual Obligations* *(in thousands)*

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts are met. The Corporation has committed funds to be paid into limited partnerships. The details of the commitments are listed in Note 4.

	2014	2013
Obligations under Operating Leases	$ 181	$ 525
Obligations under Service Contracts	465	1,022
	$ 646	$ 1,547

	Operating Leases	Service Contracts	Total
2014-15	$ 30	$ 465	$ 495
2015-16	32	—	32
2016-17	32	—	32
2017-18	32	—	32
2018-19	32	—	32
Thereafter	23	—	23
	$ 181	$ 465	$ 646

Note 6 Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

Note 7 Approval of Financial Statements

The financial statements were approved by the Board of Directors.

Schedules to the Financial Statements

for the year ended March 31, 2014

Schedule 1 *Expenses Directly Incurred Detailed by Object*

(in thousands)

	2014		2013
	Budget	Actual	Actual
Grants and Sponsorships	$ 52	$ 190	$ 272
Salaries, Wages, Benefits, and Payments to Consultants	608	496	905
Supplies and Services	490	458	904
	$ 1,150	$ 1,144	$ 2,081

Schedule 2 *Salary and Benefits Disclosure*

(in thousands)

	2014				2013
	Compensation (1)	Other Cash Benefits (2)	Other Non-Cash Benefits (3)	Total	Total
Chair of the Board	$ —	$ 44	$ 2	$ 46	$ 51
Board Members (four)	—	68	3	71	74
Executives:					
Chief Executive Officer (4)	72	—	—	72	225
Interim Managing Director (5)	18	—	—	18	—
Director, Investments	126	—	—	126	155
Director, Investments and Interim Manager (6)	171	15	—	186	187
Director, Industry Development (7)	—	—	—	—	92

(1) Base compensation is established through contractual agreeements.

(2) Other Cash Benefits for Board members include honoraria payments and per diem allowances. Other Cash Benefits for Executives are discretionary amounts to be paid on achieving certain milestones, requiring CEO approval.

(3) Other Non-cash Benefits for Board members includes Canada Pension Plan payments. No non-cash benefits were provided to Executives.

(4) This position was occupied on a part time basis until July 2013.

(5) This position became responsible for the interim part-time management of AEC effective February 1, 2014 to September 30, 2014.

(6) This position became responsible for the interim management of AEC effective August 6, 2013.

(7) This position was occupied until November 2012.

Schedule 3 Related Party Transactions

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Government of Alberta's financial statements. Related parties also include management of the Corporation.

Entities in the Ministry refers to entities consolidated in the Ministry of Innovation and Advanced Education. Other entities outside of the Ministry relate to the remaining entities consolidated at the Provincial level.

The Corporation had the following transactions with related parties which are recorded in the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities Outside of the Ministry	
	2014	2013	2014	2013
Revenues				
Grants	$ 1,050	$ 2,150	$ —	$ —
Expenses – Directly Incurred				
Other Services	$ 81	$ 63	$ 34	$ 62
Payables to	$ 36	$ 3	$ —	$ —
Contractual Obligations	$ 25	$ 25	$ 621	$ 1,522

The Corporation receives financial services such as financial reporting and transaction processing from the Department of Innovation and Advanced Education at no charge.

Summary Subsidiary Financial Statements

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Alberta Innovates Corporations

Summary Financial Statements (1)

for March 31, 2014 *(in thousands)*

	Alberta Innovates – Bio Solutions	Alberta Innovates – Energy and Environment Solutions	Alberta Innovates – Technology Futures	2014 Totals	2013 Totals
Statement of Financial Position					
Assets					
Cash and Cash Equivalents	$ 16,655	$ 54,616	$ 70,274	$ 141,545	$ 115,457
Accounts Receivable and Other Assets	4,222	1,247	16,542	22,011	21,431
Capital Assets	—	51	30,883	30,934	29,325
	$ 20,877	$ 55,914	$ 117,699	$ 194,490	$ 166,213
Liabilities					
Accounts Payable and Accrued Liabilities	$ 1,276	$ 3,173	$ 19,582	$ 24,031	$ 28,042
Deferred Revenue	11,118	23,216	44,407	78,741	51,333
	12,394	26,389	63,989	102,772	79,375
Net Assets					
Accumulated Operating Surplus	8,483	29,525	53,710	91,718	86,838
	$ 20,877	$ 55,914	$ 117,699	$ 194,490	$ 166,213
Statement of Operations					
Revenue	$ 17,865	$ 23,147	$ 161,581	$ 202,593	$ 203,985
Expenses	21,837	20,197	155,679	197,713	190,228
Net Income (Loss)	$ (3,972)	$ 2,950	$ 5,902	$ 4,880	$ 13,757
Statement of Changes in Financial Position					
Cash and Short-Term Investments, Beginning of Year	$ 19,619	$ 41,347	$ 54,491	$ 115,457	$ 83,626
Cash Provided from (Used in) Operating Activities	(2,964)	13,269	21,245	31,550	39,196
Cash Generated (Used) by Organizational Activities	—	—	(5,462)	(5,462)	(7,365)
Cash and Short-Term Investments, End of Year	$ 16,655	$ 54,616	$ 70,274	$ 141,545	$ 115,457
Salary and Benefits of CEO Positions					
Base Salary	$ 250	$ 260	$ 344		
Other Cash Benefits (2)	7	75	88		
Non-Cash Benefits (3)	81	12	47		
	$ 338	$ 347	$ 479		

(1) Financial statements for these entities are prepared in accordance with Canadian Public Sector Accounting Standards. Full audited financial statements for these entities are available on their websites.

(2) Other Cash Benefits include vacation payouts and bonuses (where applicable).

(3) Non-Cash Benefits include the employer portions of such items as pension contributions, medical and dental benefits, disability insurance, etc.

Comprehensive Academic and Research Institutions

Summary Financial Statements (1)

for March 31, 2014 *(in thousands)*

	University of Alberta	University of Calgary	University of Lethbridge	Athabasca University	2014 Totals	2013 Totals (Restated)
Statement of Financial Position						
Assets						
Cash and Cash Equivalents	$ 25,188	$ 392,288	$ 9,053	$ 4,009	$ 430,538	$ 438,132
Investments	1,883,164	1,395,273	172,802	39,474	3,490,713	3,021,261
Accounts Receivable	110,461	90,012	6,992	2,278	209,743	233,407
Inventories and Prepaid Expenses	15,825	29,968	2,384	4,110	52,287	48,929
Capital Assets	2,739,548	1,626,849	306,384	57,862	4,730,643	4,656,165
Investment in Government Business Enterprises	—	3,702	—	—	3,702	1,205
	$ 4,774,186	$ 3,538,092	$ 497,615	$ 107,733	$ 8,917,626	$ 8,399,099
Liabilities						
Accounts Payable and Accrued Liabilities	$ 251,036	$ 149,156	$ 11,534	$ 9,027	$ 420,753	$ 342,009
Employee Future Benefit Liabilities	250,303	134,267	43,066	22,421	450,057	434,776
Debt	202,023	298,897	9,664	—	510,584	342,320
Deferred Revenue	2,633,778	1,751,224	234,161	71,335	4,690,498	'4,084
	3,337,140	2,333,544	298,425	102,783	6,071,892	5,893,189
Net Assets	1,437,046	1,204,548	199,190	4,950	2,845,734	2,505,910
	$ 4,774,186	$ 3,538,092	$ 497,615	$ 107,733	$ 8,917,626	$ 8,399,099
Statement of Operations						
Revenue	$ 1,764,535	$ 1,211,397	$ 203,401	$ 130,354	$ 3,309,687	$ 3,249,487
Expenses	1,746,161	1,145,697	200,305	126,726	3,218,889	3,128,646
Net Income (Loss)	$ 18,374	$ 65,700	$ 3,096	$ 3,628	$ 90,798	$ 120,841
Statement of Changes in Financial Position						
Cash and Short-Term Investments, Beginning of Year	$ 17,156	$ 399,399	$ 18,662	$ 2,915	$ 438,132	$ 458,479
Cash Provided from (Used in) Operating Activities	170,759	185,719	11,599	5,092	373,169	352,814
Cash Generated (Used) by Organizational Activities	(162,727)	(192,830)	(21,208)	(3,998)	(380,763)	(373,161)
Cash and Short-Term Investments, End of Year	$ 25,188	$ 392,288	$ 9,053	$ 4,009	$ 430,538	$ 438,132
Salary and Benefits of President Positions						
Base Salary	$ 544	$ 457	$ 371	$ 369		
Other Cash Benefits (2)	47	28	55	34		
Non-Cash Benefits (3)	553	247	162	134		
	$ 1,144	$ 732	$ 588	$ 537		

(1) Financial statements for these entities are prepared in accordance with Canadian Public Sector Accounting Standards. Full audited financial statements for these entities are available on their websites.

(2) Other Cash Benefits include vacation payouts and bonuses (where applicable).

(3) Non-Cash Benefits include the employer portions of such items as pension contributions, medical and dental benefits, disability insurance, etc.

Baccalaureate and Applied Studies Institutions

Summary Financial Statements (1)

for June 30, 2013 *(in thousands)*

	Grant MacEwan University	Mount Royal University	2013 Totals	2012 Totals (Restated)
Statement of Financial Position				
Assets				
Cash and Cash Equivalents	$ 56,309	$ 33,605	$ 89,914	$ 91,259
Investments	82,995	103,855	186,850	178,972
Accounts Receivable	4,112	17,800	21,912	20,306
Inventories and Prepaid Expenses	5,293	2,040	7,333	6,848
Capital Assets	285,443	234,332	519,775	515,737
	$ 434,152	$ 391,632	$ 825,784	$ 813,122
Liabilities				
Accounts Payable and Accrued Liabilities	$ 29,209	$ 21,091	$ 50,300	$ 47,983
Employee Future Benefit Liabilities	3,326	2,245	5,571	5,075
Debt	44,219	60,376	104,595	109,213
Deferred Revenue	161,106	217,719	378,825	366,181
	237,860	301,431	539,291	528,452
Net Assets	196,292	90,201	286,493	284,670
	$ 434,152	$ 391,632	$ 825,784	$ 813,122
Statement of Operations				
Revenue	$ 228,976	$ 223,737	$ 452,713	$ 430,360
Expenses	234,885	214,757	449,642	436,635
Net Income (Loss)	$ (5,909)	$ 8,980	$ 3,071	$ (6,275)
Statement of Changes in Financial Position				
Cash and Short-Term Investments, Beginning of Year	$ 62,748	$ 28,511	$ 91,259	$ 109,323
Cash Provided from (Used in) Operating Activities	3,140	39,205	42,345	19,926
Cash Generated (Used) by Organizational Activities	(9,579)	(34,111)	(43,690)	(37,990)
Cash and Short-Term Investments, End of Year	$ 56,309	$ 33,605	$ 89,914	$ 91,259
Salary and Benefits of President Positions				
Base Salary	$ 307	$ 242		
Other Cash Benefits (2)	20	73		
Non-Cash Benefits (3)	68	86		
	$ 395	$ 401		

(1) Commencing July 1, 2012, these universities adopted Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board to prepare their financial statements. In accordance with PSA Handbook Section 2125 (First-time Adoption), the date of transition to PSAS is July 1, 2011. Therefore the adoption of PSAS has been applied retrospectively from the date of transition resulting in the restatement of prior year amounts. Full audited financial statements for these entities are available on their websites.

(2) Other Cash Benefits include vacation payouts and bonuses (where applicable).

(3) Non-cash Benefits include the employer portions of such items as pension contributions, medical and dental benefits, disability insurance, etc.

Polytechnical Institutions

Summary Financial Statements (1)

for June 30, 2013 *(in thousands)*

	Northern Alberta Institute of Technology	Southern Alberta Institute of Technology	2013 Totals	2012 Totals (Restated)
Statement of Financial Position				
Assets				
Cash and Cash Equivalents	$ 2,368	$ 149,210	$ 151,578	$ 246,666
Investments	242,031	45,009	287,040	248,231
Accounts Receivable	6,942	11,908	18,850	17,098
Inventories and Prepaid Expenses	6,334	1,874	8,208	8,041
Capital Assets	263,712	743,616	1,007,328	937,843
	$ 521,387	$ 951,617	$ 1,473,004	$ 1,457,879
Liabilities				
Accounts Payable and Accrued Liabilities	$ 31,233	$ 54,946	$ 86,179	$ 107,418
Employee Future Benefit Liabilities	23,993	10,101	34,094	33,517
Debt	23,081	148,792	171,873	169,717
Deferred Revenue	212,536	523,156	735,692	730,122
	290,843	736,995	1,027,838	1,040,774
Net Assets	230,544	214,622	445,166	417,105
	$ 521,387	$ 951,617	$ 1,473,004	$ 1,457,879
Statement of Operations				
Revenue	$ 321,887	$ 322,206	$ 644,093	$ 605,819
Expenses	317,569	308,928	626,497	583,776
Net Income (Loss)	$ 4,318	$ 13,278	$ 17,596	$ 22,043
Statement of Changes in Financial Position				
Cash and Short-Term Investments, Beginning of Year	$ 6,561	$ 240,105	$ 246,666	$ 292,105
Cash Provided from (Used in) Operating Activities	27,960	32,319	60,279	139,580
Cash Generated (Used) by Organizational Activities	(32,153)	(123,214)	(155,367)	(185,019)
Cash and Short-Term Investments, End of Year	$ 2,368	$ 149,210	$ 151,578	$ 246,666
Salary and Benefits of President Positions				
Base Salary	$ 301	$ 282		
Other Cash Benefits (2)	103	107		
Non-Cash Benefits (3)	106	571		
	$ 510	$ 960		

(1) Commencing July 1, 2012, these polytechnical institutions adopted Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board to prepare their financial statements. In accordance with PSA Handbook Section 2125 (First-time Adoption), the date of transition to PSAS is July 1, 2011. Therefore the adoption of PSAS has been applied retrospectively from the date of transition resulting in the restatement of prior year amounts. Full audited financial statements for these entities are available on their websites.

(2) Other Cash Benefits include vacation payouts and bonuses (where applicable).

(3) Non-cash Benefits include the employer portions of such items as pension contributions, medical and dental benefits, disability insurance, etc.

Comprehensive Community Institutions

Summary Financial Statements (1)

for June 30, 2013 *(in thousands)*

	Bow Valley College	Grande Prairie Regional College	Keyano College	Lakeland College	Lethbridge College	Medicine Hat College	NorQuest College
Statement of Financial Position							
Assets							
Cash and Cash Equivalents	$ 48,994	$ 4,124	$ 22,280	$ 13,205	$ 16,311	$ 9,952	$ 34,919
Investments	40,316	30,984	4,644	25,997	37,944	21,987	5,000
Accounts Receivable	4,900	1,139	837	1,995	1,877	1,767	2,536
Inventories and Prepaid Expenses	410	565	19,699	3,086	1,781	849	1,066
Capital Assets	283,591	72,392	122,200	72,661	74,118	82,313	32,204
	$ 378,211	$ 109,204	$ 169,660	$ 116,944	$ 132,031	$ 116,868	$ 75,725
Liabilities							
Accounts Payable and Accrued Liabilities	$ 9,406	$ 6,583	$ 13,963	$ 7,267	$ 6,328	$ 4,199	$ 8,883
Employee Future Benefit Liabilities	1,229	618	—	260	1,255	396	895
Debt	279,168	15,746	25,730	1,680	9,128	2,932	215
Deferred Revenue	345	54,871	83,311	67,386	66,252	63,421	32,571
	290,148	77,818	123,004	76,593	82,963	70,948	42,564
Net Assets	88,063	31,386	46,656	40,351	49,068	45,920	33,161
	$ 378,211	$ 109,204	$ 169,660	$ 116,944	$ 132,031	$ 116,868	$ 75,725
Statement of Operations							
Revenue	$ 91,968	$ 75,530	$ 84,215	$ 67,759	$ 84,956	$ 55,767	$ 79,813
Expenses	85,701	74,853	80,037	65,678	83,711	55,059	79,030
Net Income (Loss)	$ 6,267	$ 677	$ 4,178	$ 2,081	$ 1,245	$ 708	$ 783
Statement of Changes in Financial Position							
Cash and Short-Term Investments, Beginning of Year	$ 52,582	$ 10,605	$ 37,930	$ 11,496	$ 25,345	$ 7,437	$ 30,725
Cash Provided from (Used in) Operating Activities	(558)	6,269	13,308	9,090	4,156	3,818	5,942
Cash Generated (Used) by Organizational Activities	(3,030)	(12,750)	(28,958)	(7,381)	(13,190)	(1,303)	(1,748)
Cash and Short-Term Investments, End of Year	$ 48,994	$ 4,124	$ 22,280	$ 13,205	$ 16,311	$ 9,952	$ 34,919
Salary and Benefits of President Positions							
Base Salary	$ 225	$ 308	$ 234	$ 260	$ 117	$ 198	$ 268
Other Cash Benefits (2)	50	—	123	—	28	101	50
Non-Cash Benefits (3)	10	28	26	30	17	97	56
	$ 285	$ 336	$ 383	$ 290	$ 162	$ 396	$ 374

(1) Commencing July 1, 2012, these colleges adopted Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board to prepare their financial statements. In accordance with PSA Handbook Section 2125 (First-time Adoption), the date of transition to PSAS is July 1, 2011. Therefore the adoption of PSAS has been applied retrospectively from the date of transition resulting in the restatement of prior year amounts. Full audited financial statements for these entities are available on their websites.

(2) Other Cash Benefits include vacation payouts and bonuses (where applicable).

(3) Non-cash Benefits include the employer portions of such items as pension contributions, medical and dental benefits, disability insurance, etc.

(4) Olds College did not submit financial statements in time for publication.

Comprehensive Community Institutions (continued)

Summary Financial Statements (1)

for June 30, 2013 *(in thousands)*

	Northern Lakes College	Olds College	Portage College	Red Deer College	2013 Totals	2012 Totals (Restated)
Statement of Financial Position						
Assets						
Cash and Cash Equivalents	$ 11,236	$ —	$ 6,059	$ 1,943	$ 169,023	$ 192,681
Investments	8,970	—	5,054	59,156	240,052	254,664
Accounts Receivable	2,199	—	2,351	2,221	21,822	20,030
Inventories and Prepaid Expenses	599	—	562	870	29,487	25,972
Capital Assets	31,374	—	56,184	116,446	943,483	898,694
	$ 54,378	$ —	$ 70,210	$ 180,636	$ 1,403,867	$ 1,392,041
Liabilities						
Accounts Payable and Accrued Liabilities	$ 5,073	$ —	$ 3,271	$ 13,697	$ 78,670	$ 73,499
Employee Future Benefit Liabilities	592	—	303	1,699	7,247	34,584
Debt	43	—	—	7,762	342,404	461,124
Deferred Revenue	31,637	—	54,286	113,080	567,160	442,180
	37,345	—	57,860	136,238	995,481	1,011,387
Net Assets	17,033	—	12,350	44,398	408,386	380,654
	$ 54,378	$ —	$ 70,210	$ 180,636	$ 1,403,867	$ 1,392,041
Statement of Operations						
Revenue	$ 44,725	$ —	$ 36,683	$ 98,207	$ 719,623	$ 679,072
Expenses	43,031	—	37,454	95,745	700,299	652,638
Net Income (Loss)	$ 1,694	$ —	$ (771)	$ 2,462	$ 19,324	$ 26,434
Statement of Changes in Financial Position						
Cash and Short-Term Investments, Beginning of Year	$ 8,825	$ —	$ 6,903	$ 833	$ 192,681	$ 125,415
Cash Provided from (Used in) Operating Activities	4,706	—	634	759	48,124	81,270
Cash Generated (Used) by Organizational Activities	(2,295)	—	(1,478)	351	(71,782)	(14,004)
Cash and Short-Term Investments, End of Year	$ 11,236	$ —	$ 6,059	$ 1,943	$ 169,023	$ 192,681
Salary and Benefits of President Positions						
Base Salary	$ 172	$ —	$ 198	$ 279		
Other Cash Benefits (2)	53	—	—	52		
Non-Cash Benefits (3)	18	—	32	30		
	$ 243	$ —	$ 230	$ 361		

(1) Commencing July 1, 2012, these colleges adopted Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board to prepare their financial statements. In accordance with PSA Handbook Section 2125 (First-time Adoption), the date of transition to PSAS is July 1, 2011. Therefore the adoption of PSAS has been applied retrospectively from the date of transition resulting in the restatement of prior year amounts. Full audited financial statements for these entities are available on their websites.

(2) Other Cash Benefits include vacation payouts and bonuses (where applicable).

(3) Non-cash Benefits include the employer portions of such items as pension contributions, medical and dental benefits, disability insurance, etc.

(4) Olds College did not submit financial statements in time for publication.

Specialized Arts and Culture Institutions

Summary Financial Statements

	for June 30, 2013 (1)		for March 31, 2014 (2)		*(in thousands)*
	Alberta College of Art + Design		The Banff Centre		
	2013	2012	2014	2013	
		(Restated)		(Restated)	
Statement of Financial Position					
Assets					
Cash and Cash Equivalents	$ 8,707	$ 9,170	$ 3,757	$ 4,610	
Investments	6,701	5,993	38,084	31,041	
Accounts Receivable	214	262	6,120	6,456	
Inventories and Prepaid Expenses	548	518	657	691	
Capital Assets	5,145	5,119	140,971	144,905	
	$ 21,315	$ 21,062	$ 189,589	$ 187,703	
Liabilities					
Accounts Payable and Accrued Liabilities	$ 1,987	$ 1,511	$ 3,881	$ 4,472	
Employee Future Benefit Liabilities	239	377	3,526	3,601	
Debt	157	83	834	1,206	
Deferred Revenue	9,649	10,128	129,614	134,870	
	12,032	12,099	137,855	144,149	
Net Assets	9,283	8,963	51,734	43,554	
	$ 21,315	$ 21,062	$ 189,589	$ 187,703	
Statement of Operations					
Revenue	$ 21,333	$ 21,428	$ 59,810	$ 57,854	
Expenses	21,117	21,043	59,273	56,657	
Net Income (Loss)	$ 216	$ 385	$ 537	$ 1,197	
Statement of Changes in Financial Position					
Cash and Short-Term Investments, Beginning of Year	$ 9,170	$ 9,281	$ 4,610	$ 910	
Cash Provided from (Used in) Operating Activities	748	1,743	1,080	5,540	
Cash Generated (Used) by Organizational Activities	(1,211)	(1,854)	(1,933)	(1,840)	
Cash and Short-Term Investments, End of Year	$ 8,707	$ 9,170	$ 3,757	$ 4,610	
Salary and Benefits of President Positions					
Base Salary	$ 259		$ 288		
Other Cash Benefits (3)	—		45		
Non-Cash Benefits (4)	41		111		
	$ 300		$ 444		

(1) Commencing July 1, 2012, Alberta College of Art + Design adopted Canadian Public Sector Accounting Standards (PSAS) as issued by the Public Sector Accounting Board to prepare their financial statements. In accordance with PSA Handbook Section 2125 (First-time Adoption), the date of transition to PSAS is July 1, 2011. Therefore the adoption of PSAS has been applied retrospectively from the date of transition resulting in the restatement of prior year amounts. Full audited financial statements for this entity are available on their website.

(2) Financial statements for this entity are prepared using Canadian Public Sector Accounting Standards (PSAS), including the PS4200 series of standards for government not-for-profit organisations. Full audited financial statements for this entity are available on their website.

(3) Other Cash Benefits include vacation payouts and bonuses (where applicable).

(4) Non-Cash Benefits include the employer portions of such items as pension contributions, medical and dental benefits, disability insurance, etc.

Other Information

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Endnotes

Endnote A Proportion of Albertans Aged 18-34 Participating in Post-Secondary Education

This measure is produced as a special tabulation for Innovation and Advanced Education by Statistics Canada based on data collected in the Labour Force Survey.

Statistics Canada's Labour Force Survey is a monthly, Canada-wide survey of a representative sample of households in the provinces and territories. Data are collected on all members of the household who are 15 years of age or older. Persons living on reserves and other Aboriginal settlements in the provinces; full-time members of the Canadian Forces; and the institutionalized population are excluded from the survey.

The Canadian sample size for the monthly Labour Force Survey was 56,027 households, with an average of 5,540 Alberta households surveyed each month in 2013.

The coefficient of variation (the standard error as a percentage of the reported result) for the estimate (Albertans 18-34 participating in post-secondary education: 182,000) is approximately 2.5%.

Additional information on the Labour Force Survey methodology is available online in the *2014 Guide to the Labour Force Survey* (Catalogue no. 71-543-G).

Endnote B Post-Secondary Graduate Outcomes Survey

The Post-Secondary Graduate Outcomes Survey is conducted every other year. Graduates of publicly funded post-secondary institutions are surveyed two years after graduation. The most recent survey was conducted January to April 2012 by an independent third-party contractor.

The survey population was provided to the contractor from an internal source. Graduates were surveyed by telephone and Internet about their employment outcomes upon graduating, further studies undertaken, and satisfaction with the overall quality of their educational experience. Interviews were conducted with 12,891 graduates from parchment programs at 25 Alberta publicly funded post-secondary institutions. A census approach was used, meaning that all graduates were invited to participate rather than a random sample. Margin of error refers to the measurable sampling error that occurs when a random sample is used to estimate results of a population, and is not applicable to a census. If the same number of interviews had been completed using a random sample of graduates rather than a census, the margin of error would be ±0.8 percentage points, 19 times out of 20, which is comparable with previous survey cycles.

Satisfaction questions are based on a four-point scale. Satisfaction rates are the combined results of the responses "satisfied" and "very satisfied." The percentage result is calculated by dividing the total "satisfied" and "very satisfied" responses by the total number of survey respondents, not including respondents who answered "don't know" or "no response."

The complete survey report is available on the Ministry's Facts and Stats webpage.

Endnote C

Use of Confidence Intervals for Interpreting Survey Results

When a result is obtained by surveying a random sample of the target population (e.g. the public, graduates), there is a confidence interval associated with the result, which is expressed as a percentage above and below the result (e.g. ±2.5%). A 95% confidence interval (which is usually the standard reported) indicates a range around the sample's result within which the population's actual result will fall 19 times out of 20, i.e. 95%, should the survey be repeated a number of times. This makes it possible to determine whether differences in survey results over time are likely the result of sampling (differences falling within the confidence interval or "margin of error"), or represent actual change.

When comparing results of survey questions over time or among respondent groups, if there is no overlap between the confidence intervals of the two observed values, then the difference between the two results is considered to be real. When the confidence intervals of the two observed values do overlap, the difference could be attributable to sampling variation, and the difference cannot be considered real.

The following hypothetical examples illustrate:

a) *two survey results where the confidence intervals overlap: no real difference in results*

Where two survey results are 76% and 80%, both with a margin of error of 2.5%, then the upper limit of the confidence interval for the 76% result is 78.5%, and the lower limit of the confidence interval of the 80% result is 77.5%. Since the confidence intervals overlap, it cannot be concluded that there is a real difference between the two survey results, as the observed difference could be due to sampling variation.

b) *two survey results where the confidence intervals do not overlap: a real difference in results*

If the two survey results are 74% (with a confidence interval of 2.5%) and 80% (also with a confidence interval of 2.5%), the upper limit of the confidence interval for the 74% result is 76.5%, and the lower limit of the confidence interval of the 80% result is 77.5%. Since the confidence intervals do not overlap, it can be concluded that there is a real difference between the two survey results, as sampling variation alone does not account for the observed difference.

Endnote D

Survey of Apprenticeship Graduates

The Survey of Apprenticeship Graduates is conducted every other year. Field work was conducted October-December 2012. The survey population was provided to the contractor from the Apprenticeship Trade and Occupation Management System (ATOMS). Interviews were conducted with 4,073 apprentices who had graduated between August 1, 2011 and July 31, 2012.

Respondents were contacted initially by phone or email and given an option to complete the survey online. Graduates commented on the program they completed, typically a 4-year program.

Satisfaction questions are based on a four-point scale. Satisfaction rates combine the 'somewhat satisfied" and "very satisfied" results. The percentage result is calculated by dividing the total of "somewhat satisfied" and "very satisfied" responses by the total number of survey respondents, including respondents who answered "don't know."

The confidence interval by cohort is as follows:

Cohort	Population	Completed Interviews	Confidence Interval
1. Graduates who attended technical training and completed on-the-job training requirements of their trade in the 2011-12 school year	3,824	2,184	±1.4%
2. Graduates who completed their apprenticeship program in the 2011-12 school year, but did not attend technical training in that year	3,632	1,889	±1.6%
Total	7,456	4,073	±1.0%

Endnote E

Learner and Enrolment Reporting System

The Learner and Enrolment Reporting System (LERS) is a database used by the Ministry to track learner demographics and enrolments in the post-secondary learning system. Publicly funded post-secondary institutions submit their enrolment data to the Ministry. These data are subject to a host of accountability constraints and are signed off by institutional and Ministry officials once verified. Data for Alberta's publicly funded institutions are reported in LERS for the academic year (May to April for comprehensive academic and research institutions and independent academic institutions; July to June for the Alberta College of Art and Design, baccalaureate and applied studies institutions, polytechnical institutions, and comprehensive community institutions). Finalized data are available in the fall for the previous academic year. The Banff Centre does not report enrolments via LERS.

Endnote F

Educational Attainment

Educational attainment in this discussion is the percentage of the population aged 25-64 who have completed a post-secondary program. For the purposes of this indicator, post-secondary credentials include certificates and diplomas (university, vocational, trade, community college) and university degrees. The percentage is calculated by dividing the number of people in the age range with a post-secondary certificate or diploma or university degree by the total number of Albertans in the same age range.

The Labour Force Survey is a monthly household survey of a sample of individuals who are representative of the civilian, non-institutionalized population 15 years of age or older. It is conducted nationwide, in both the provinces and the territories. Excluded from the survey's coverage are: persons living on reserves and other Aboriginal settlements in the provinces; full-time members of the Canadian Forces; and the institutionalized population. These groups together represent an exclusion of approximately 2% of the population aged 15 and over.

The co-efficient of variation (the standard error as a percentage of the reported result) for the estimate (Albertans 25-64 having completed a post-secondary credential: 1,388,100) is approximately 1.0%.

Additional information on the Labour Force Survey methodology is available online in the 2014 *Guide to the Labour Force Survey* (Catalogue no. 71-543-G).

Endnote G

Total Sponsored Research Revenue Attracted by Alberta's Comprehensive Academic and Research Institutions

This performance measure reflects the amount of sponsored research at the four Comprehensive Academic and Research Institutions (CARIs). The main funding sources include the provincial and federal governments, industry, and non-profit organizations. Total sponsored research revenue is funding received outside of the CARIs' base operating grants and is comprised of research grants, research contracts, and research-related capital investments. This performance measure reflects the research capability, capacity, and competitive standing of Alberta through the success of its research universities in attracting sponsored research funding from several sources.

Sponsored research revenue data are collected directly from the CARIs, which submit the data using a template and guidelines outlining the information required and specific instructions regarding how the revenue should be reported. The guidelines that Innovation and Advanced Education provides to the CARIs require that the data collection process is consistent with the more detailed Canadian Association of University Business Officers (CAUBO) guidelines. Thus, the CARIs are required to follow the CAUBO reporting guidelines for the appropriate year. The adherence to CAUBO guidelines improves the quality and comparability of the data across jurisdictions. The CARIs derive the data from audited financial statements and supplementary schedules. The reported data are compiled and analyzed by Innovation and Advanced Education in the report, Sponsored Research Revenue: Research Funding at Alberta's Comprehensive Academic and Research Institutions.

Endnote H

Venture Capital Invested in Alberta

A restatement of venture capital data was required for all years due to the discontinuation of VCReporter, the previous data source. All data appearing in the performance measure chart, including historical results and current year result, come from Thomson ONE. Only the target, which was set in November 2012, is from VCReporter. VCReporter was owned by Thomson Reuters and was replaced with their platform product, Thomson ONE. Due to VCReporter and Thomson ONE using different methodologies, the 2013 target and 2013 results are incomparable. Therefore, there is no set target that applies to the 2013 result.

The previously reported VCReporter figures only included early and expansion stages while in this report all venture capital stages are included: seed, early, late, and expansion stage. Thomson ONE provides a more comprehensive list of industries that were not included in VCReporter. Thomson ONE tracks investments made by private equity including buyouts firms, venture capital firms, angel investor networks, Small Business Investment Companies (SBICs), venture subsidies of corporations of investment banks, and other similar entities whose primary activity is private equity investment. Thomson Reuters obtains data from active private equity fund managers in Canada. There is no need for extrapolation or a coefficient of variation since the entire population of interest is surveyed.

Thomson ONE is a dynamic database with its data continually updated. Data from earlier periods can be revised when reported by firms. The data provided in this report were downloaded on March 13, 2014.

Endnote I

Manufacturing and Business Service Industry Gross Domestic Product (GDP)

The information for this performance measure is taken from the GDP by Industry table, published by Statistics Canada.

GDP figures for eight industries are combined in this performance measure: manufacturing; information and cultural industries; professional, scientific and technical services; transportation and warehousing; arts, entertainment and recreation; accommodation and food services; finance and insurance; and administrative and support, waste management and remediation services.

GDP is the total market value of all goods and services produced during a given year. GDP is also referred to as economic output. To avoid counting the same output more than once, GDP includes only final goods and services – not those that are used to make another product. For a given industry, GDP is equal to its gross production (mainly sales) less its intermediate consumption (energy, raw materials, services) stemming from other industries. GDP by industry (or at basic prices) corresponds to GDP at market prices excluding net taxes on products.

For this performance measure, GDP is measured in real dollars. Real GDP is a measure of the volume of production. To measure this concept, GDP expenditure-based components are adjusted to eliminate the effect of price change. This process is known as deflation.

Endnote J

Change in Manufacturing and Business Service Industry Labour Productivity

Statistics Canada released the 2013 provincial labour productivity estimates on June 20, 2014, not in time for the 2014 June publication of the 2013-14 annual report. This was later than expected based on the previous year: Statistics Canada released the 2012 provincial labour productivity estimates in May 2013. Since the 2013 estimates are not included in the 2013-14 annual report, there is no information to compare against the set target.

The information for this performance measure is from a special tabulation of the Labour Productivity and Related Variables by Business Sector Industry table, published by Statistics Canada. The labour productivity estimates for the manufacturing and business service industry are provided on request by Statistics Canada, as the aggregation is not available in the published table.

Labour productivity is calculated by dividing GDP by the number of hours worked. The 3-year average annual growth rate is used to lessen the effect of year-to-year fluctuations.

For information on GDP, see Endnote I.

Hours worked is defined as the total number of hours that a person spends working, whether paid or not. In general, this includes regular and overtime hours, breaks, travel time, training in the workplace, and time lost in brief work stoppages where workers remain at their posts. On the other hand, time lost due to strikes, lockouts, annual vacation, public holidays, sick leave, maternity leave, or leave for personal needs are not included in total hours worked.

Statement of Remissions, Compromises and Write-offs

for the year ended March 31, 2014 *(in thousands)*

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. This statement includes all remissions, compromises and write-offs made or approved during the fiscal period.

Remissions under Section 21 of the *Financial Administration Act* (1)	$ —
Compromises under Section 22 of the *Financial Administration Act*	23
Write-offs – Implemented Guarantees, Indemnities, Loans and Advances – Section 20 of the *Student Financial Assistance Act*	1,012
Total remissions, compromises and write-offs	$ 1,035

(1) The Loan Relief Completion (LRCP) program was discontinued August 1, 2012, therefore there is no LRCP Provision going forward.

Statement of Guarantees and Indemnities given by the Crown and Provincial Corporations

for the year ended March 31, 2014 *(in thousands)*

The following has been prepared pursuant to Section 75 of the *Financial Administration Act*. The statement summarizes the amounts of all guarantees given by the Crown through the Ministry of Innovation and Advanced Education under the *Student Loan Act* for the year ended March 31, 2014, the amounts paid to financial institutions as a result of the guaranteed loan program, and the amounts recovered on debts owing as a result of payments under guarantees.

	Amount of Guarantee	Payments	Recoveries
Crown Guarantees	$ —	$ 15	$ 192

Annual Report Extracts and Other Statutory Reports

Public Interest Disclosure (Whistleblower Protection) Act

Chief officer's annual report

32(1) Every chief officer must prepare a report annually on all disclosures that have been made to the designated officer of the department, public entity or office of the Legislature for which the chief officer is responsible.

(2) The report under subsection (1) must include the following information:

(a) the number of disclosures received by the designated officer, the number of disclosures acted on and the number of disclosures not acted on by the designated officer;

(b) the number of investigations commenced by the designated officer as a result of disclosures;

(c) in the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations made or corrective measures taken in relation to the wrongdoing or the reasons why no corrective measure was taken.

(3) The report under subsection (1) must be included in the annual report of the department, public entity or office of the Legislature if the annual report is made publicly available, and if the annual report is not made publicly available, the chief officer must make the report under subsection (1) available to the public on request.

There were no disclosures of wrongdoing for the Department of Innovation and Advanced Education during the period from April 1, 2013 to March 31, 2014.

Contact Information

Innovation and Advanced Education	iae.alberta.ca
Entities	
Access to the Future Fund	iae.alberta.ca/post-secondary/funding/supportsinstitutions/aff.aspx
Alberta Enterprise Corporation	alberta-enterprise.ca
Alberta Innovates – Bio Solutions	bio.albertainnovates.ca
Alberta Innovates – Energy and Environment Solutions	ai-ees.ca
Alberta Innovates – Technology Futures	albertatechfutures.ca
Advisory Boards, Councils and Authorities	
Access Advisory Council	iae.alberta.ca/ministry/agencies/caadvisory/aac.aspx
Alberta Apprenticeship and Industry Training Board	tradesecrets.alberta.ca
Alberta Council on Admissions and Transfer	acat.gov.ab.ca
Alberta Research and Innovation Authority	aria.albertainnovates.ca
Campus Alberta Quality Council	caqc.gov.ab.ca
Publicly Funded Post-Secondary Institutions	
Comprehensive Academic and Research Institutions	
University of Alberta	ualberta.ca
University of Calgary	ucalgary.ca
University of Lethbridge	uleth.ca
Athabasca University	athabascau.ca
Baccalaureate and Applied Studies Institutions	
Grant MacEwan University	macewan.ca
Mount Royal University	mtroyal.ca
Polytechnical Institutions	
Northern Alberta Institute of Technology	nait.ca
Southern Alberta Institute of Technology	sait.ca
Comprehensive Community Institutions	
Bow Valley College	bowvalleycollege.ca
Grande Prairie Regional College	gprc.ab.ca
Keyano College	keyano.ca
Lakeland College	lakelandcollege.ca
Lethbridge College	lethbridgecollege.ca
Medicine Hat College	mhc.ab.ca
NorQuest College	norquest.ab.ca
Northern Lakes College	northernlakescollege.ca
Olds College	oldscollege.ca
Portage College	portagecollege.ca
Red Deer College	rdc.ab.ca
Specialized Arts and Culture Institutions	
Alberta College of Art + Design	acad.ca
The Banff Centre	banffcentre.ca
Independent Academic Institutions	
Ambrose University College	ambrose.edu
Canadian University College	cauc.ca
Concordia University College of Alberta	concordia.ab.ca
St. Mary's University College	stmu.ab.ca
The King's University College	kingsu.ca

Publicly Funded Post-Secondary Institutions

Main Campuses

iae.alberta.ca/annualreports